

Michigan Transportation Funding Task Force

April 21, 2008

Grand Rapids, Michigan

Topic: Transportation Funding

Welcome

Rich Studley, Co-Chair

Public Comment

- Approval of Minutes - March 7 Meeting
- Approval of Agenda

Report from the Citizens Advisory Committee (CAC)

Report from the CAC

- Chairperson elected
- Subcommittees created
- Subcommittees have met
 - Selected chairpersons
 - Identified data needs
 - Scheduled meetings

Report from the CAC

Identified data needs

- Needs and revenue horizon: next 5 years, then 10 year increments to 2030
- Efficiencies
- Alternatives or supplemental funding options
- Interactions with other modes

Report from the CAC

- Subcommittees will forward preliminary reports to the Intermodal oversight subcommittee in May
- Intermodal sub-committee: evaluate conflicts, opportunities, and potential efficiencies across and among modes
- Report to full CAC for review in June

Grand Valley Metro Council

Donald J. Stypula, Executive Director

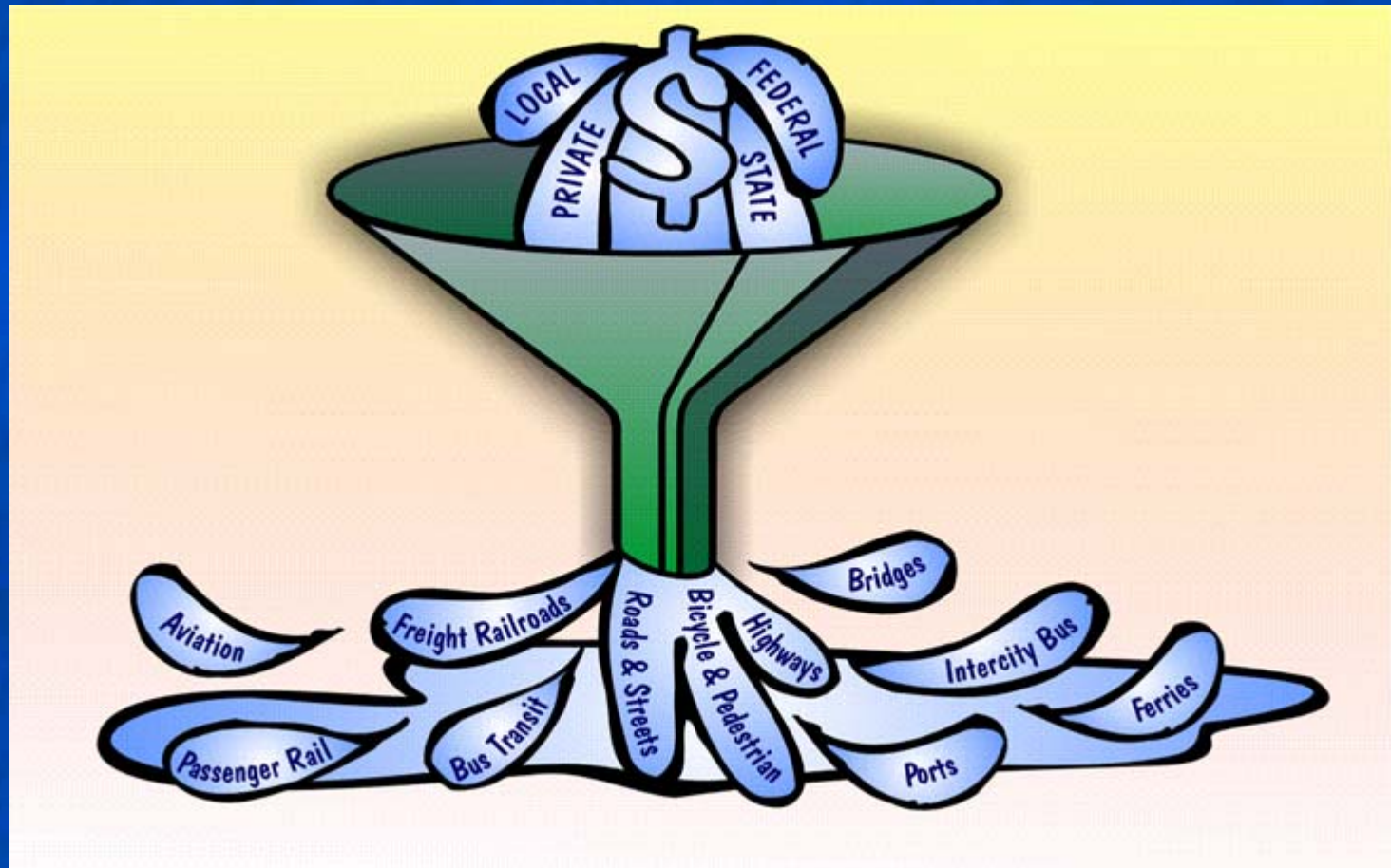
Abed Itani, Transportation Director

Grand Valley Metropolitan Council

Transportation Revenue

Leon E. Hank
Chief Administrative Officer
MDOT

If only it were this simple...



Transportation Fuel Taxes

- Michigan collects fuel taxes on:
 - Gasoline
 - Diesel
 - Specialized fuels
 - Airplane gasoline
 - Jet fuel
- Federal revenue – Highway Trust Fund, Airport & Airway Trust Fund
- State revenue – Michigan Transportation Fund, State Aeronautics Fund

Federal Gasoline Tax

18.4 Cents per Gallon

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graph TD; A[18.4 Cents per Gallon] --> B[15.44 cents per gallon  
Highway Account  
of Highway Trust Fund]; A --> C[2.86 cents per gallon  
Mass Transit Account  
of Highway Trust Fund]; A --> D[0.1 cent per gallon  
L.U.S.T. Trust Fund];
```

**15.44 cents per gallon
Highway Account
of Highway Trust Fund**

**2.86 cents per gallon
Mass Transit Account
of Highway Trust Fund**

**0.1 cent per gallon
L.U.S.T. Trust Fund**

Federal Diesel Tax

24.4 Cents per Gallon



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graph TD; A[24.4 Cents per Gallon] --> B[21.44 cents per gallon  
Highway Account  
of Highway Trust Fund]; A --> C[2.86 cents per gallon  
Mass Transit Account  
of Highway Trust Fund]; A --> D[0.1 cent per gallon  
L.U.S.T. Trust Fund];
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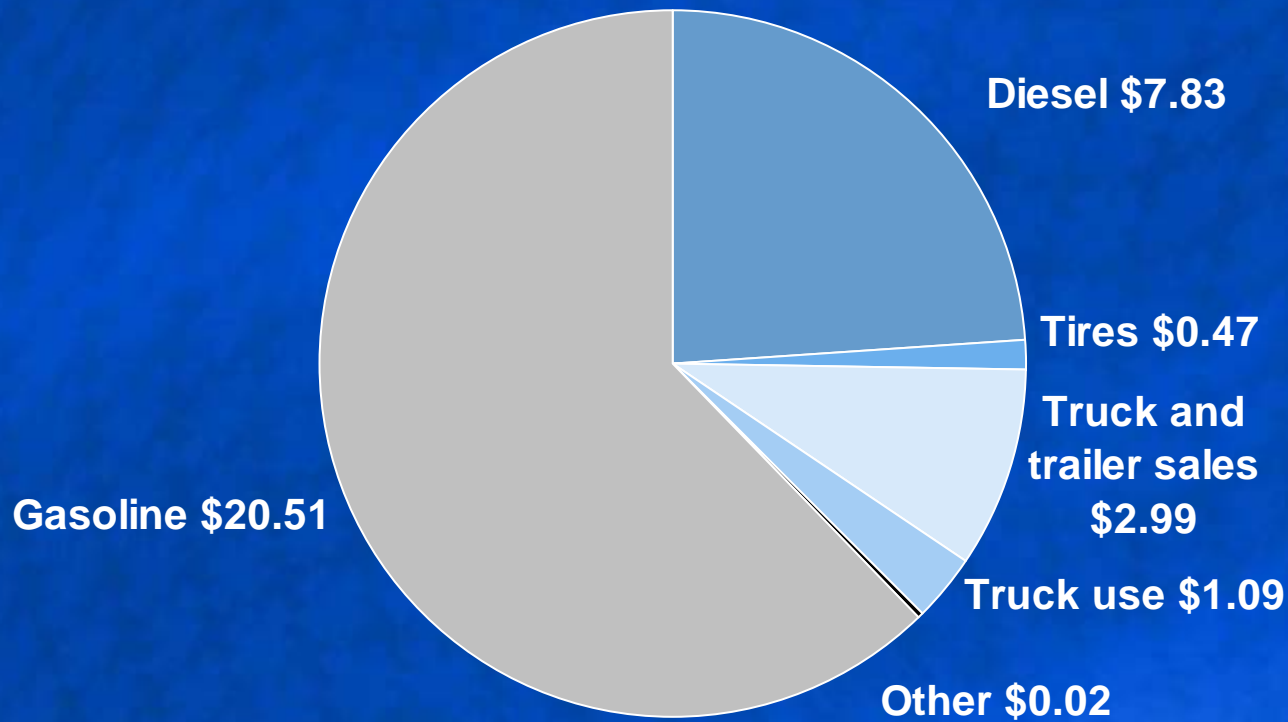
**21.44 cents per gallon
Highway Account
of Highway Trust Fund**

**2.86 cents per gallon
Mass Transit Account
of Highway Trust Fund**

**0.1 cent per gallon
L.U.S.T. Trust Fund**

Highway Trust Fund

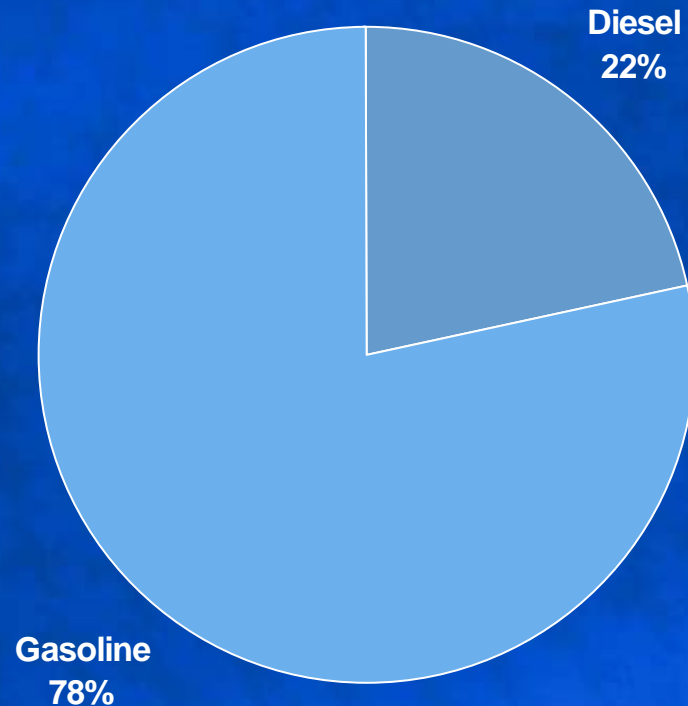
Highway Account Income - 2005



Total 2005 Income \$32.9 Billion

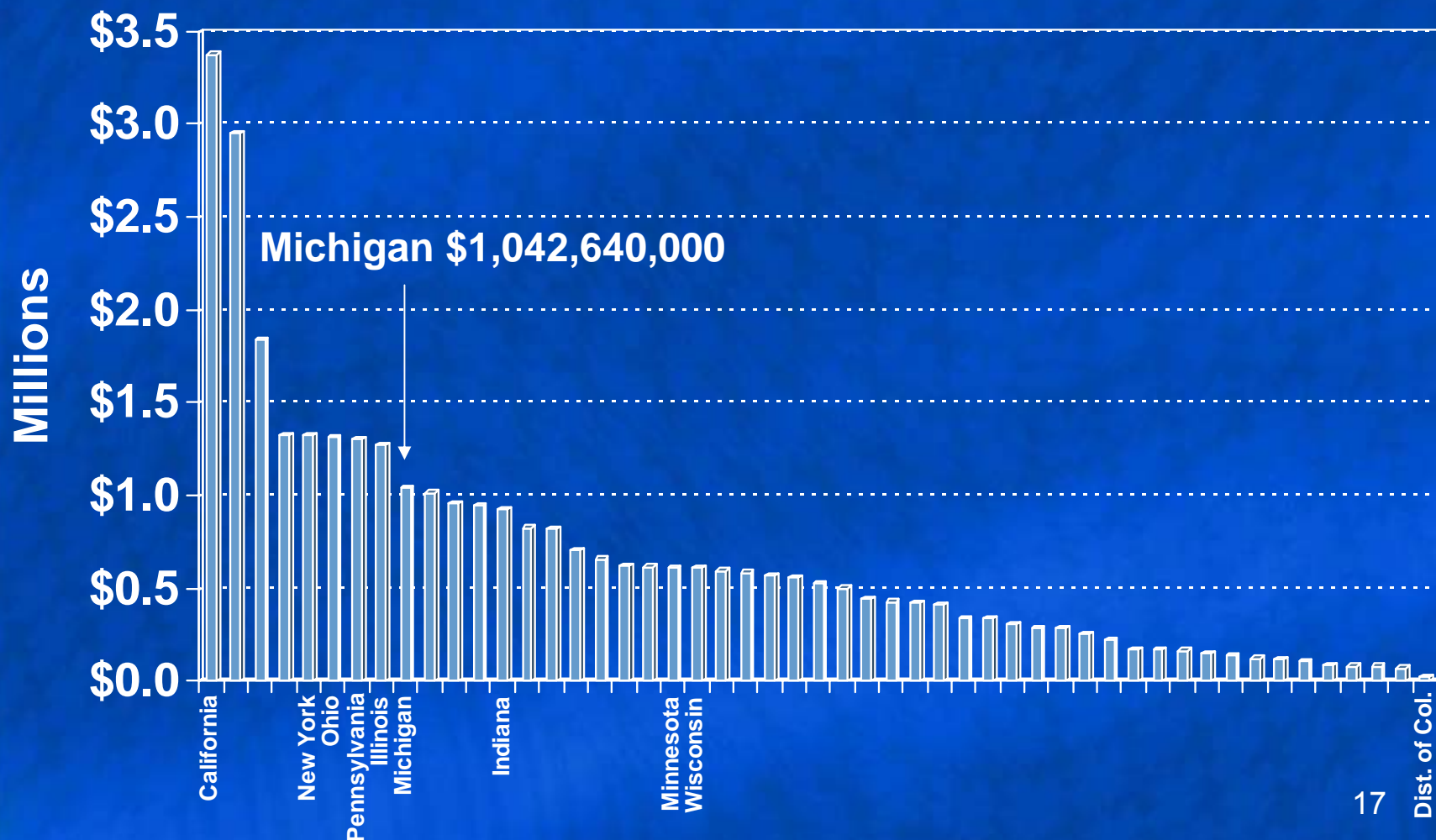
Highway Trust Fund

Mass Transit Account - FY 2005

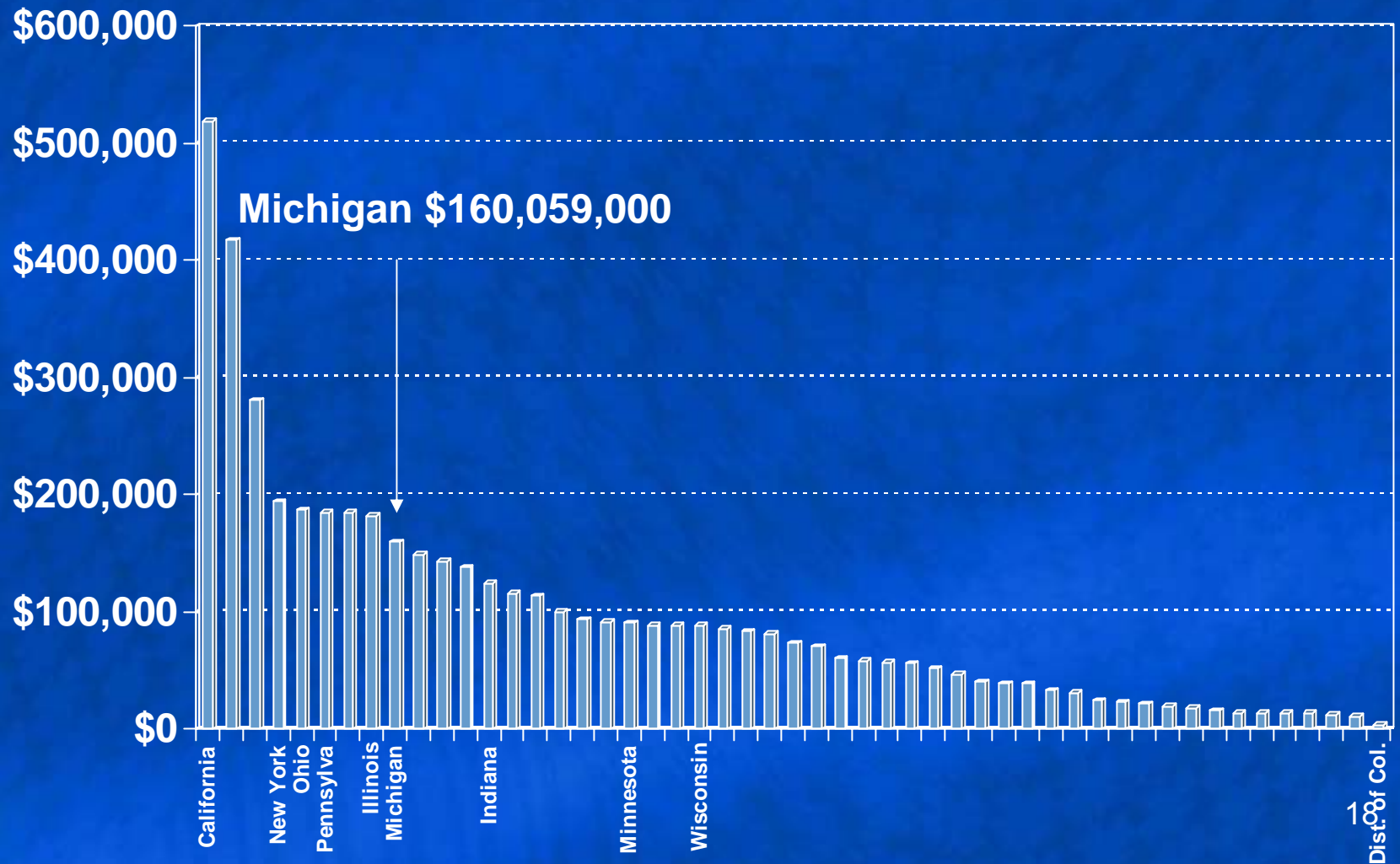


Total 2005 Income \$5.2 Billion

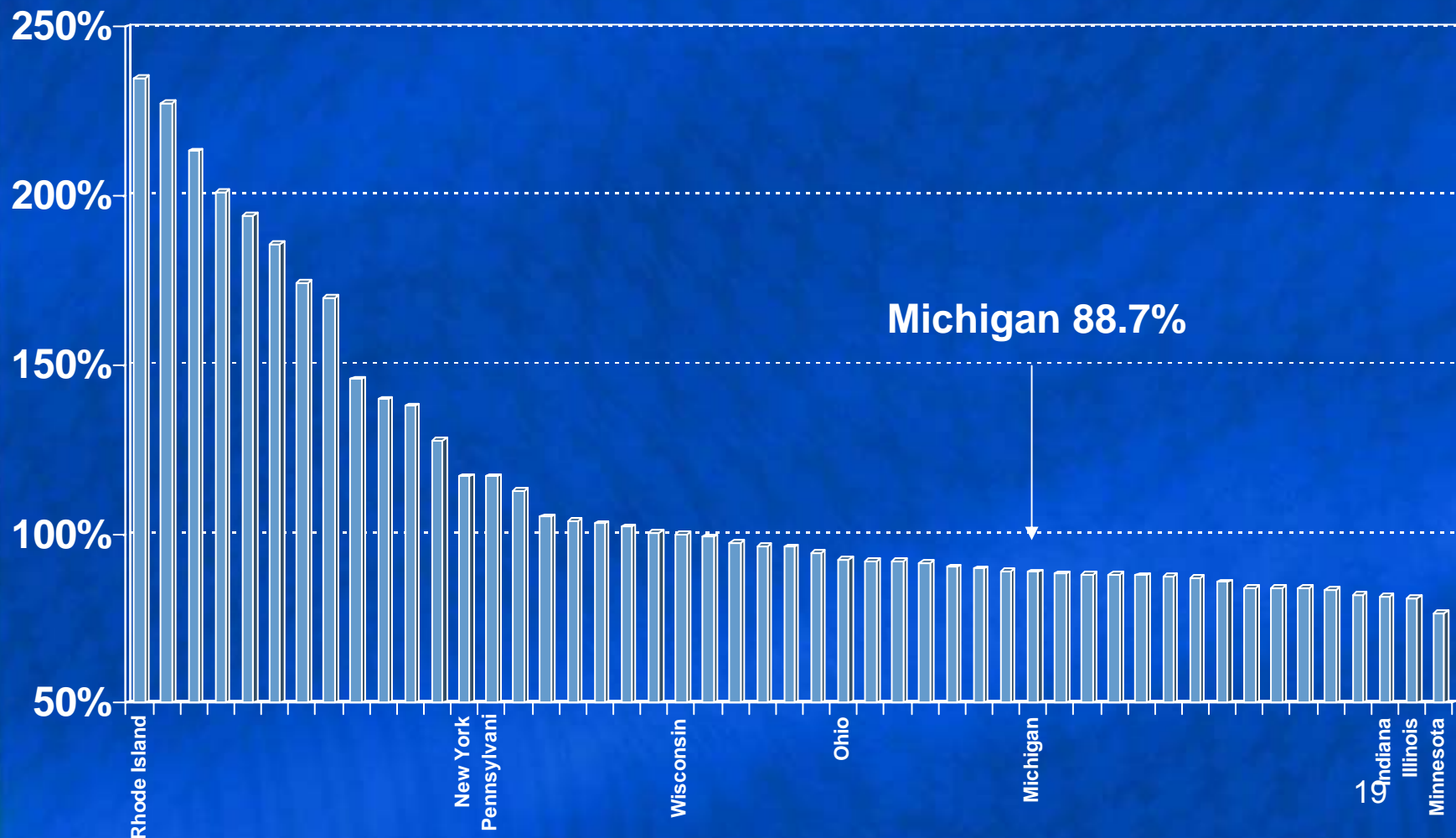
2006 Contributions to Federal Highway Account by State



2006 Contributions to Federal Mass Transit Account by State

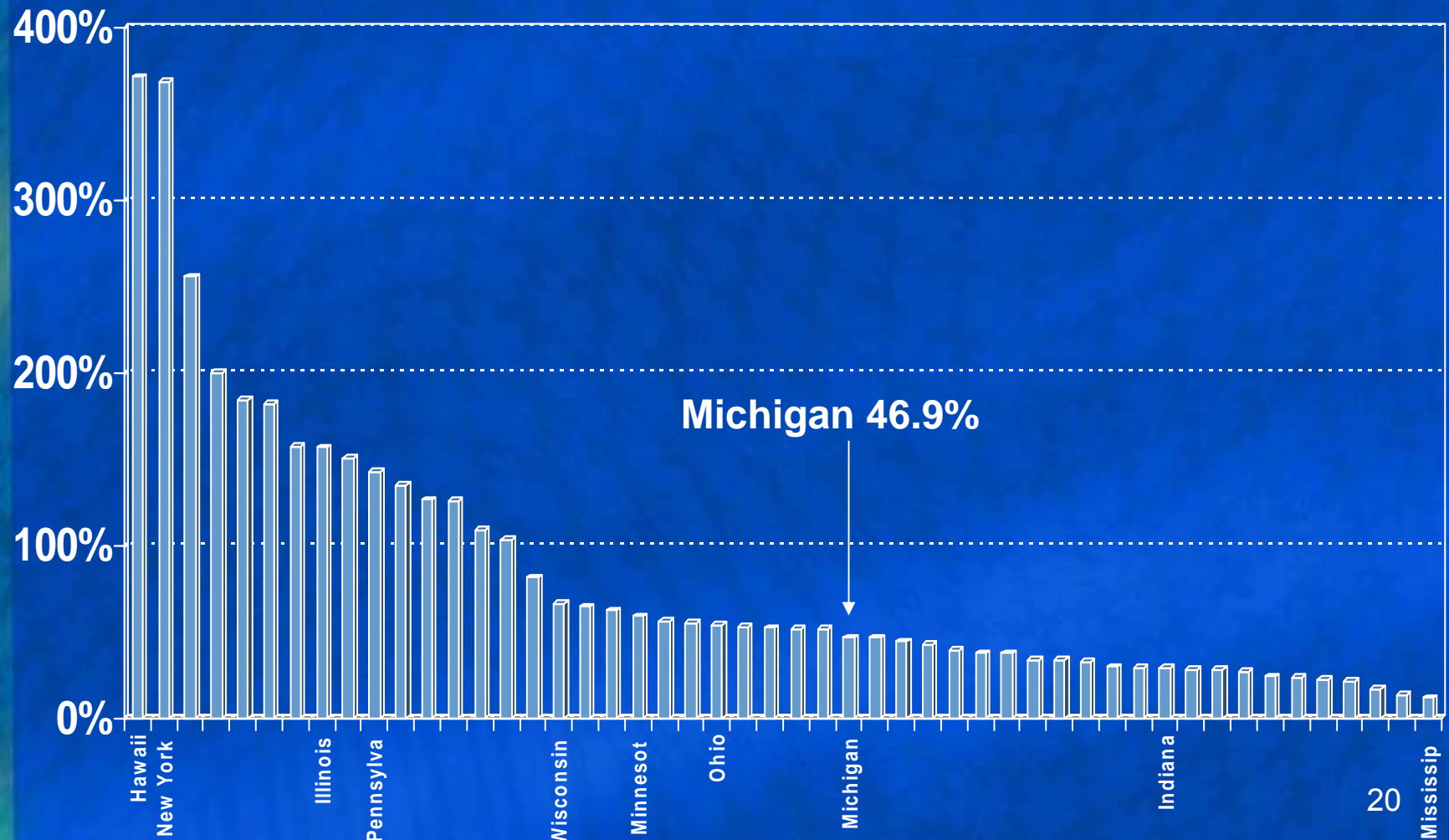


2005 Rate of Return Ranking Highway Account of Highway Trust Fund



2005 Rate of Return Ranking

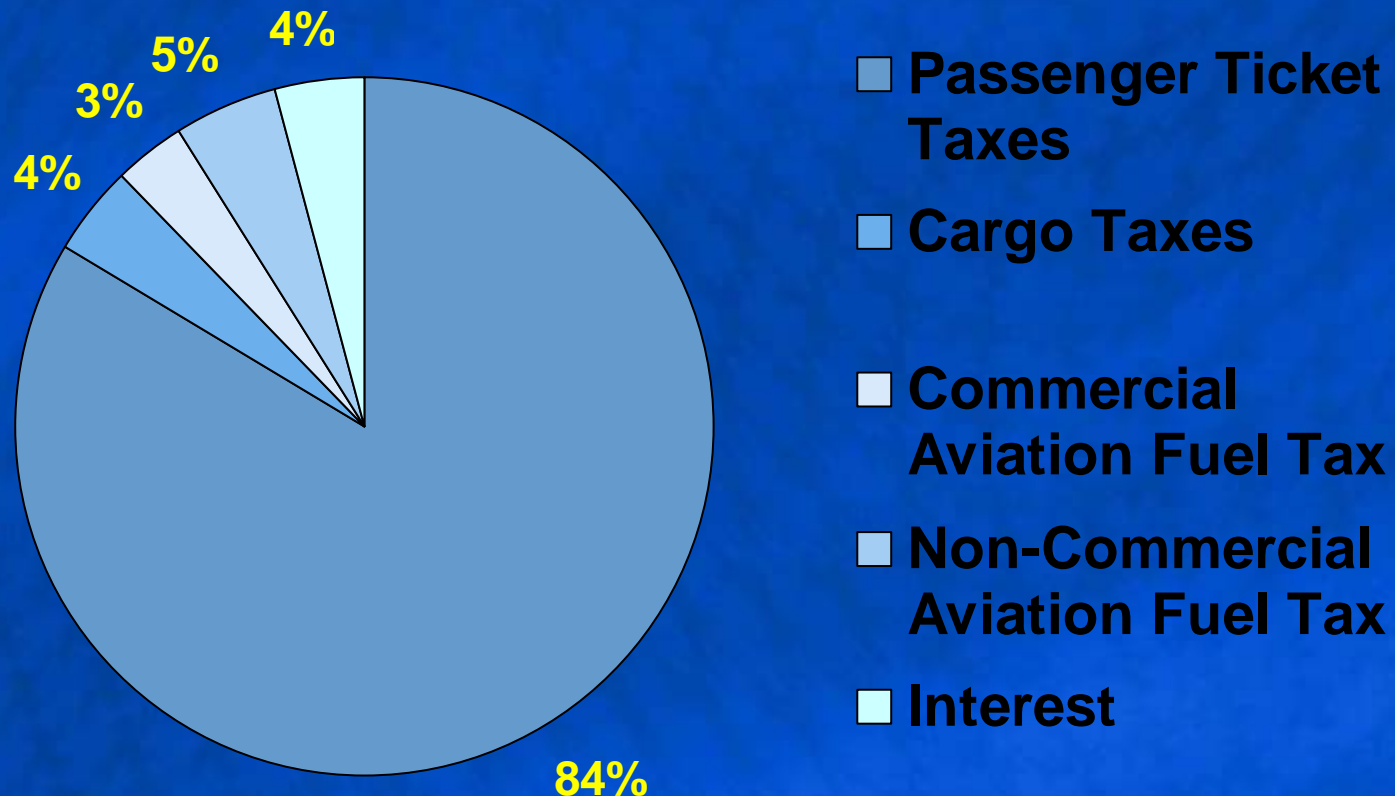
Mass Transit Account of Highway Trust Fund



Federal Aviation Fuel Taxes

Commercial	4.3¢ per gallon
Non-commercial (Aviation Gasoline)	19.4¢ per gallon
(Jet Fuel)	21.8¢ per gallon

Federal Airport & Airway Trust Fund Revenue Sources



Federal Aviation Passenger Taxes

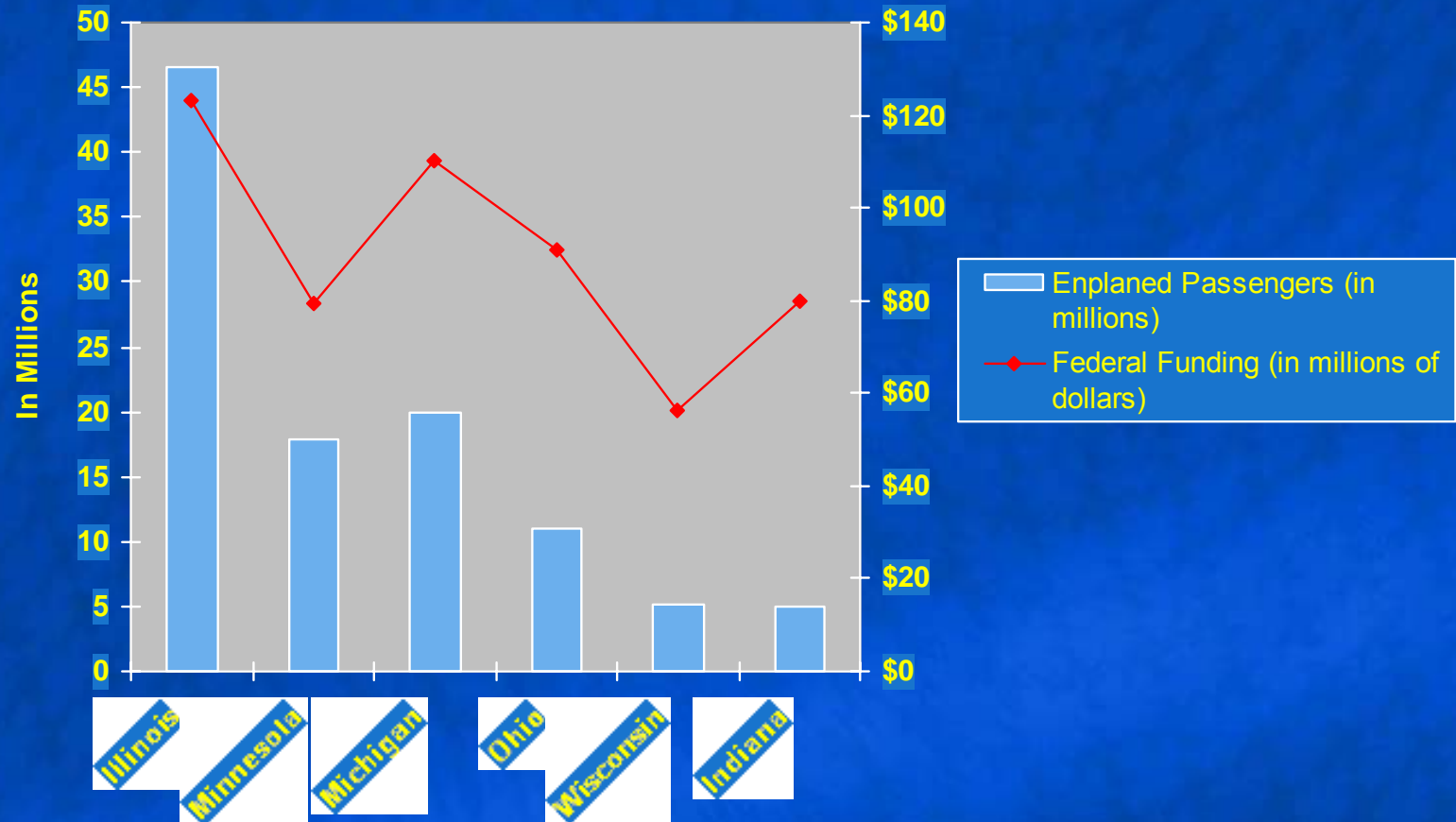
- Domestic Passenger Ticket Tax: 7.5% ticket price
- Domestic Flight Segment Tax: \$3.30 per passenger per segment
- Passenger Ticket Tax for Rural Airports: 7.5%
- International Arrival & Departure Tax: \$14.50
- \$7.30 international facilities tax on flights between continental U.S. & Alaska or Hawaii, + applicable domestic rate tax
- Frequent Flyer Tax: 7.5% of value of miles

Federal Aviation Funding

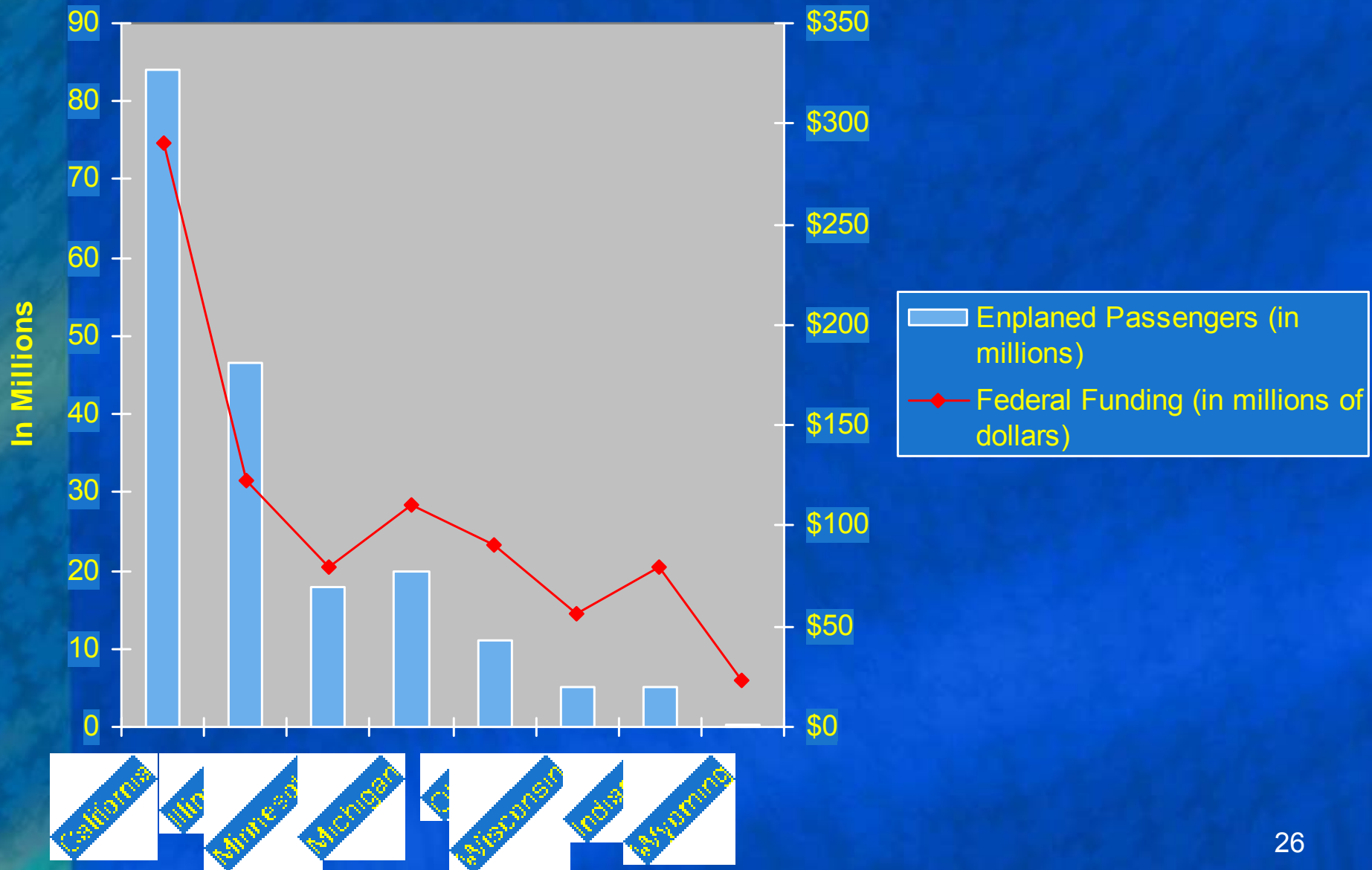
National Average Return per Passenger: \$14.5

Michigan's Return per Passenger: \$5.5

Passenger Boardings vs. Federal Funding Great Lakes Region



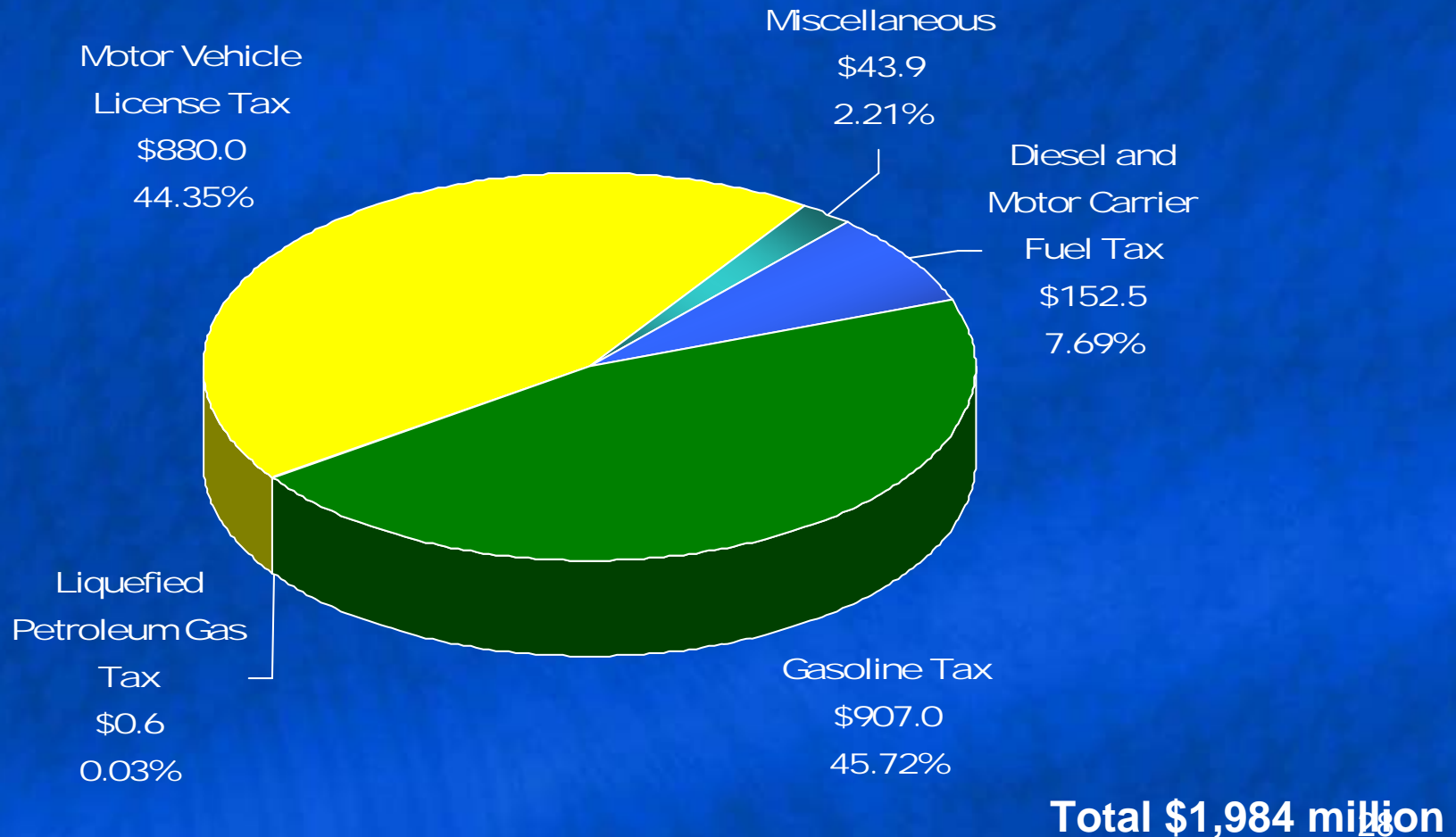
Passenger Boardings vs. Federal Funding



Discussion

FY 2007 State Transportation Fund Revenue Sources

Dollars in millions

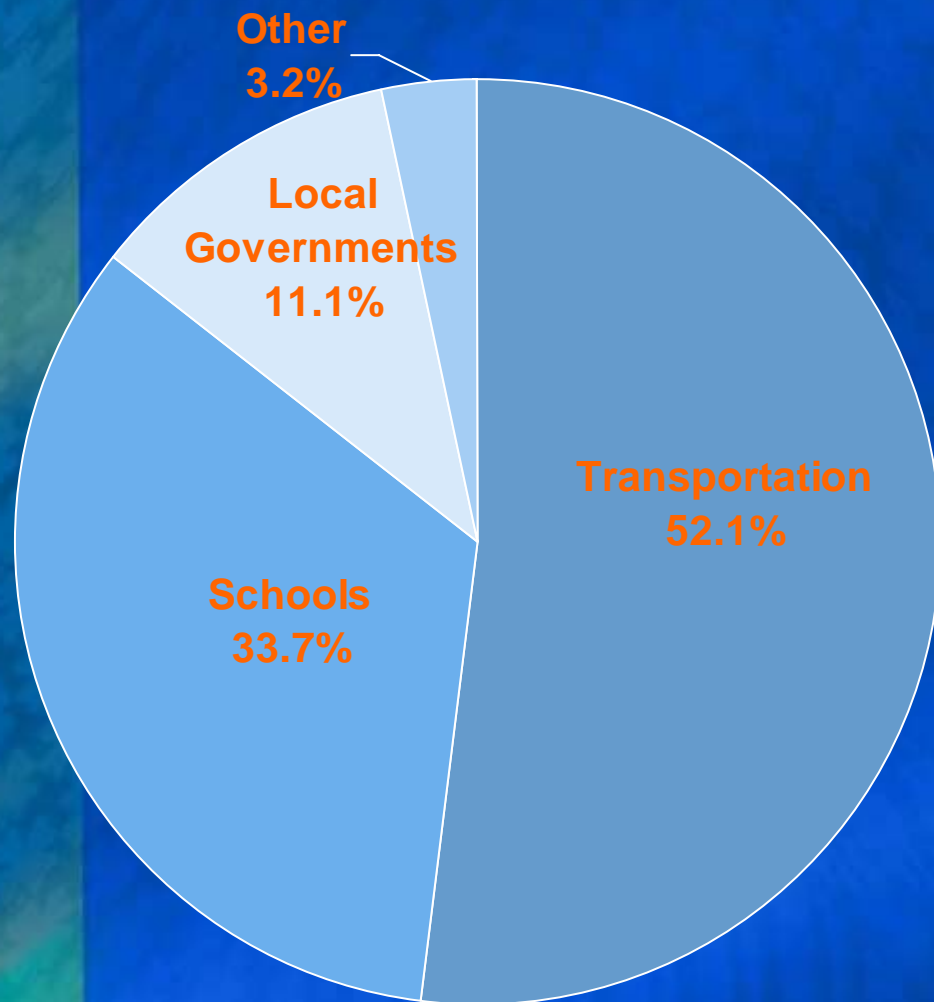


Michigan Gasoline Tax Rates

- Per Gallon Taxes
 - Gasoline: 19 cents
 - Diesel: 15 cents
 - Aviation Fuels: 3 cents
 - Jet Fuel: 3 cents
- 6% Sales tax applies, but very little is returned to transportation

Distribution of State Tax Revenue per Gallon of Gasoline

Pump Price \$3.16 per Gallon



Distribution of State Tax Revenue

Transportation

Gasoline Tax	18.7 cents/gallon
Sales Tax	0.4 cents/gallon

Schools

Sales Tax	12.4 cents/gallon
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Local Governments

Sales Tax	4.1 cents/gallon
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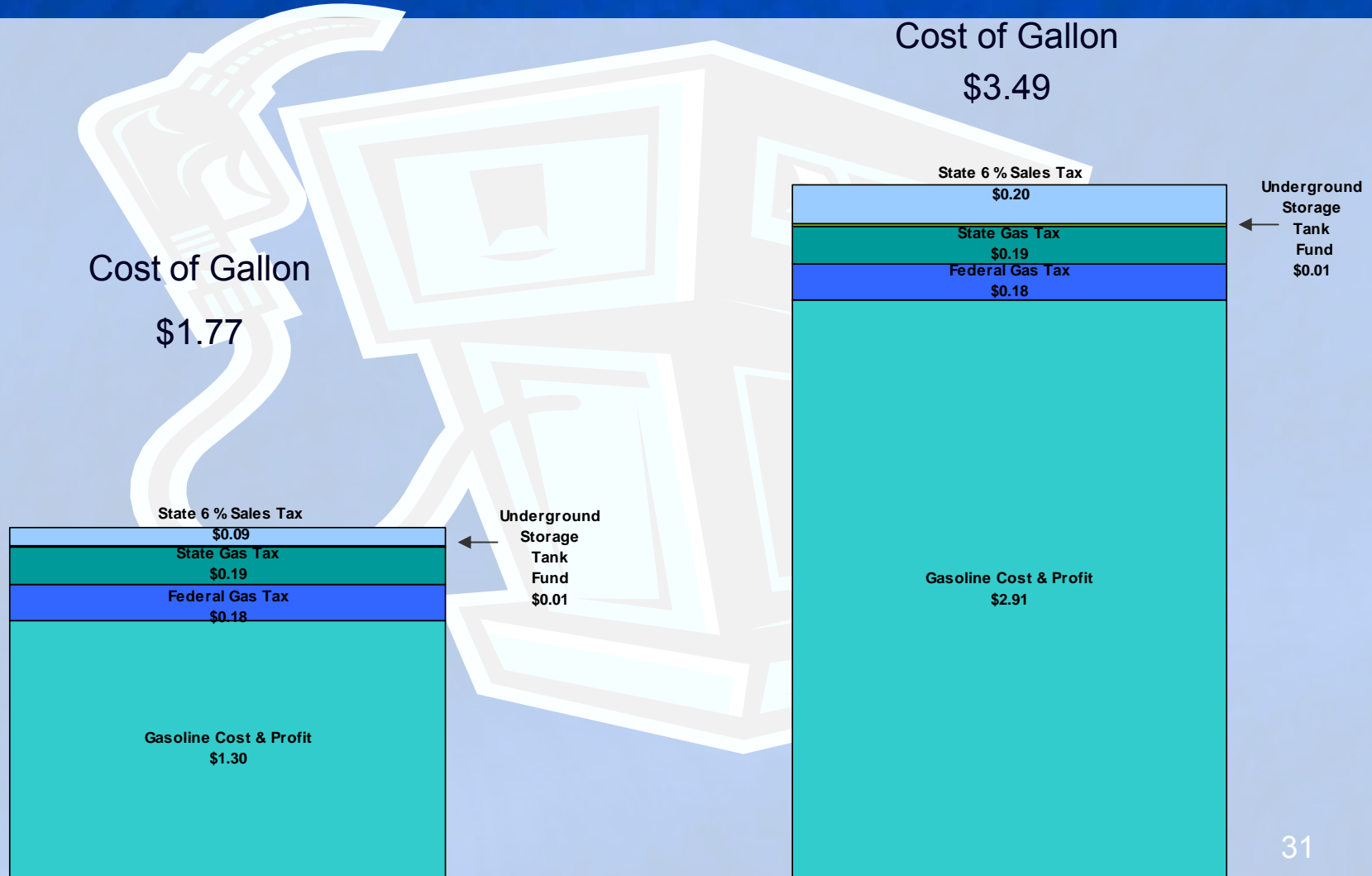
Other

Gasoline Tax	0.285 cents/gallon
MUSTFA	0.875 cents/gallon

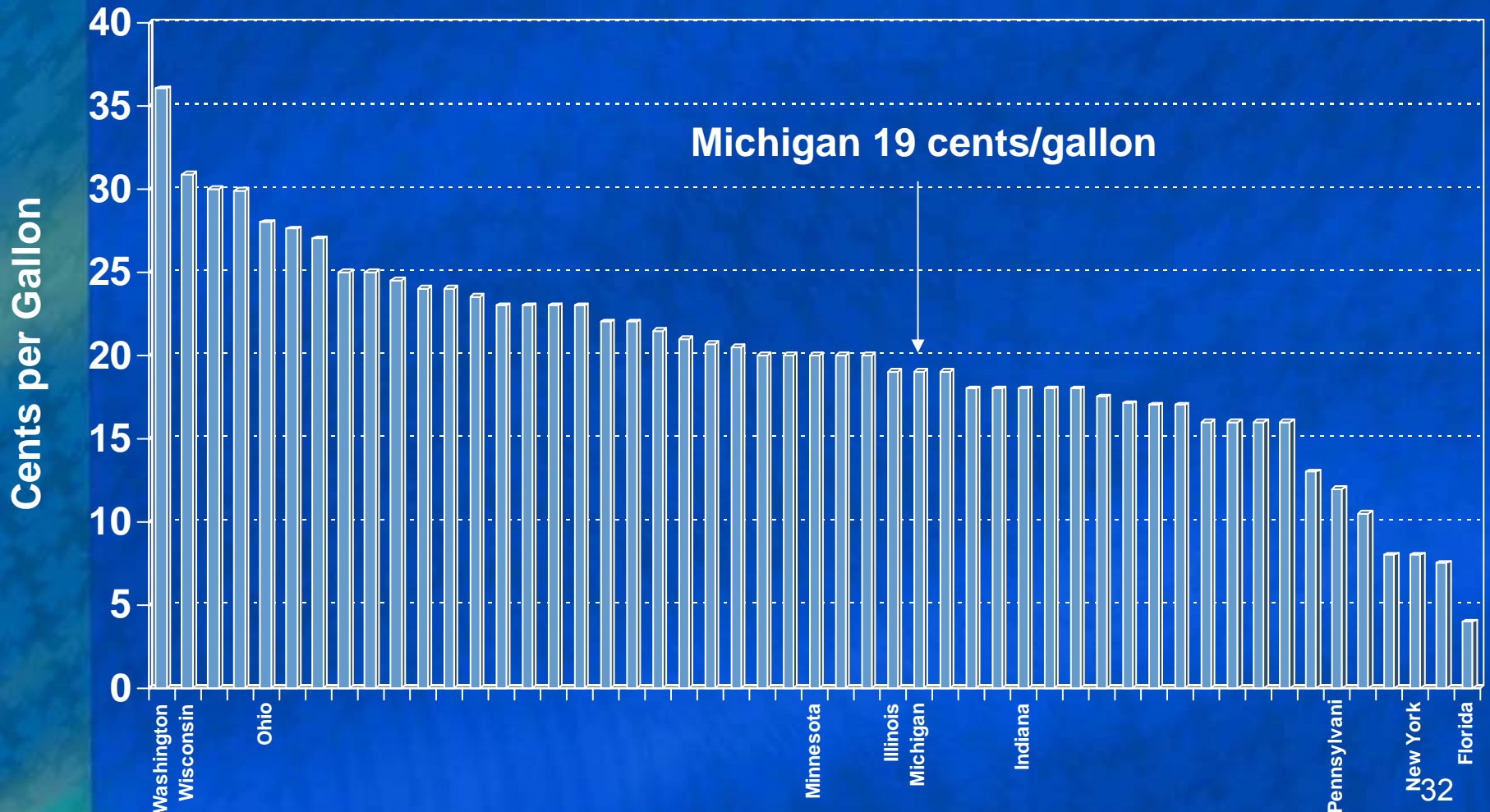
Total

Gas Tax	19.0 cents/gallon
Sales Tax	16.9 cents/gallon
MUSTFA	0.875 cents/gallon

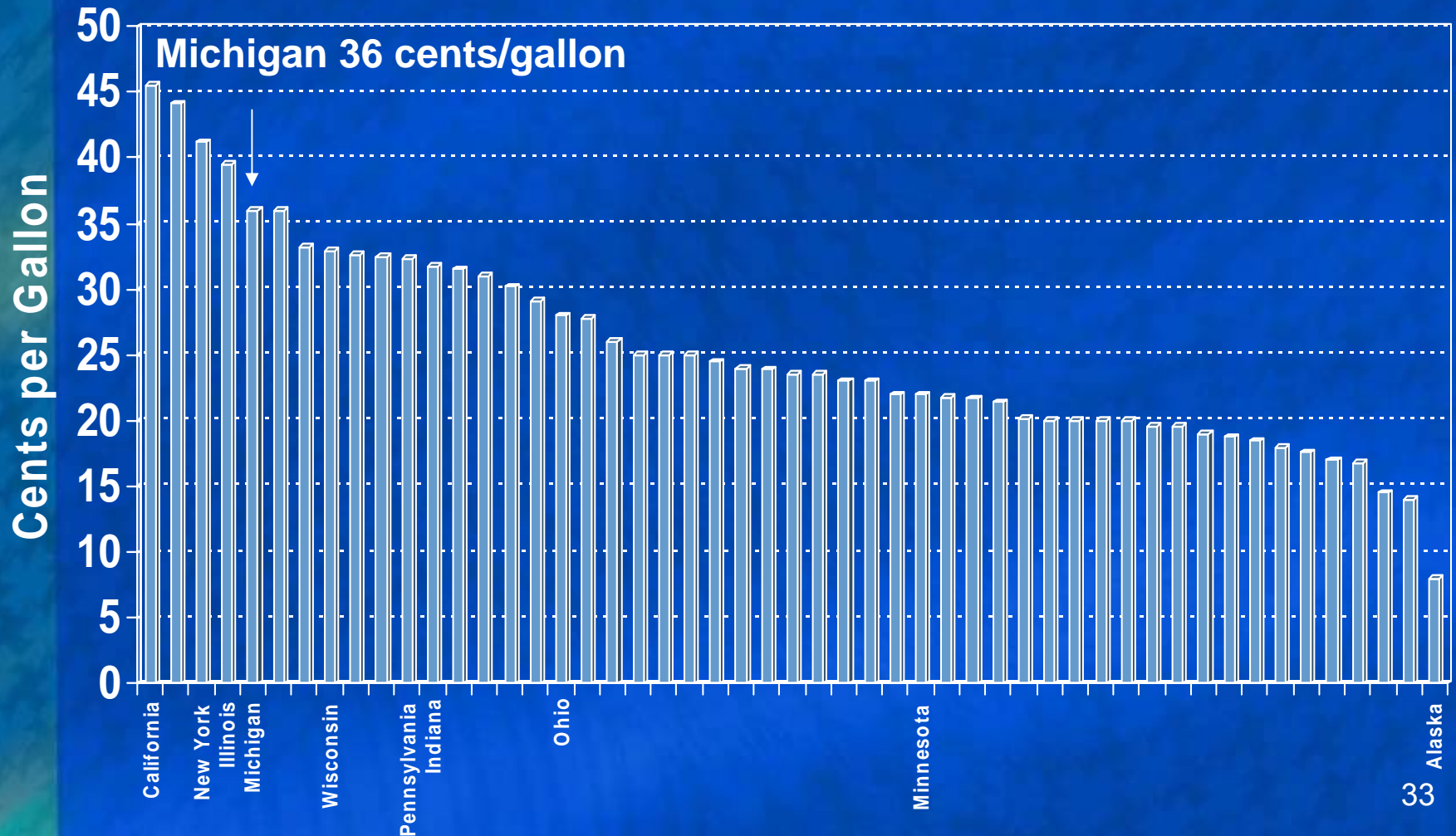
Components of the Price of a Gallon of Gasoline



State Fuel Tax per Gallon of Gasoline



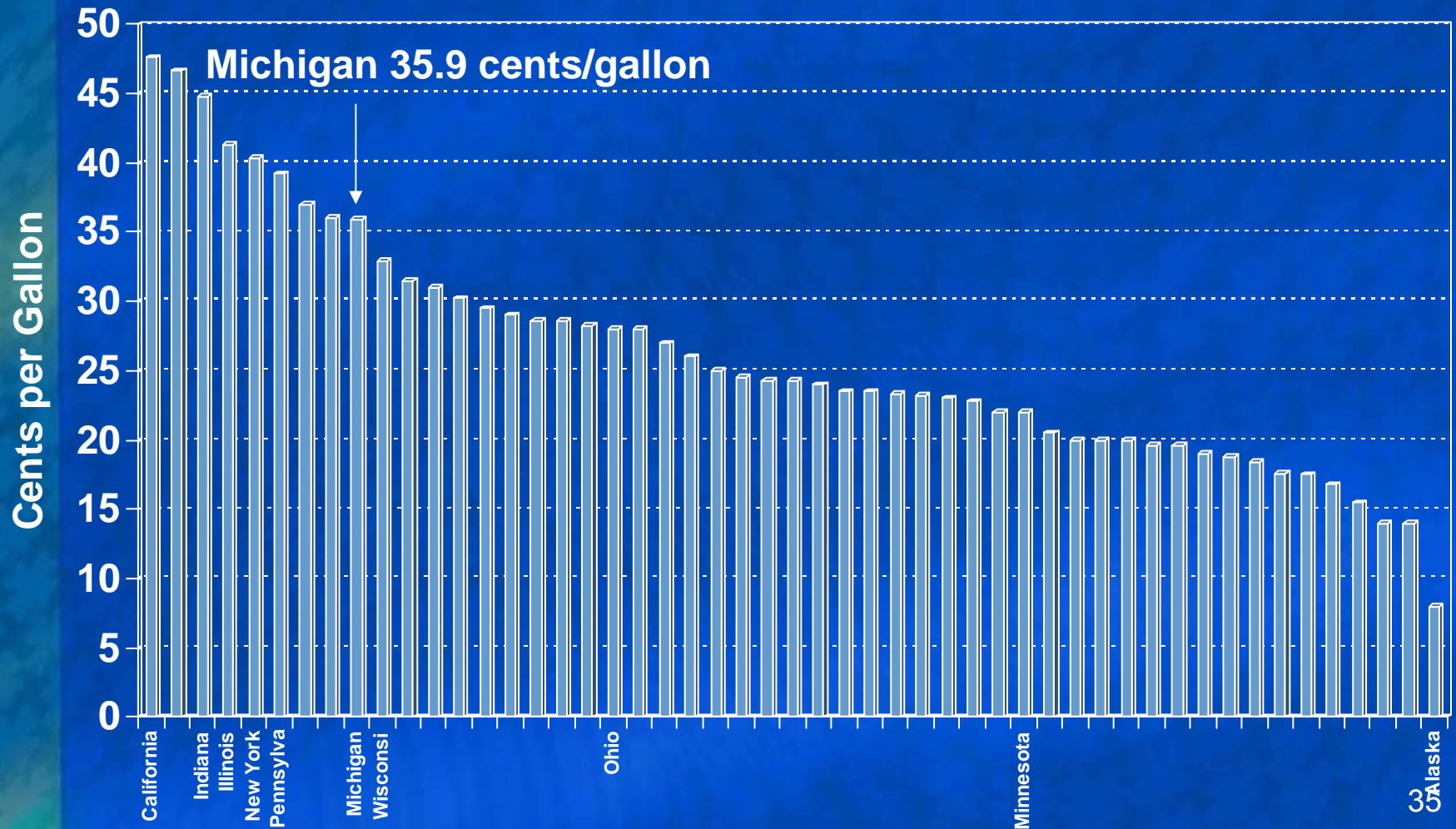
Total State Taxes per Gallon of Gasoline



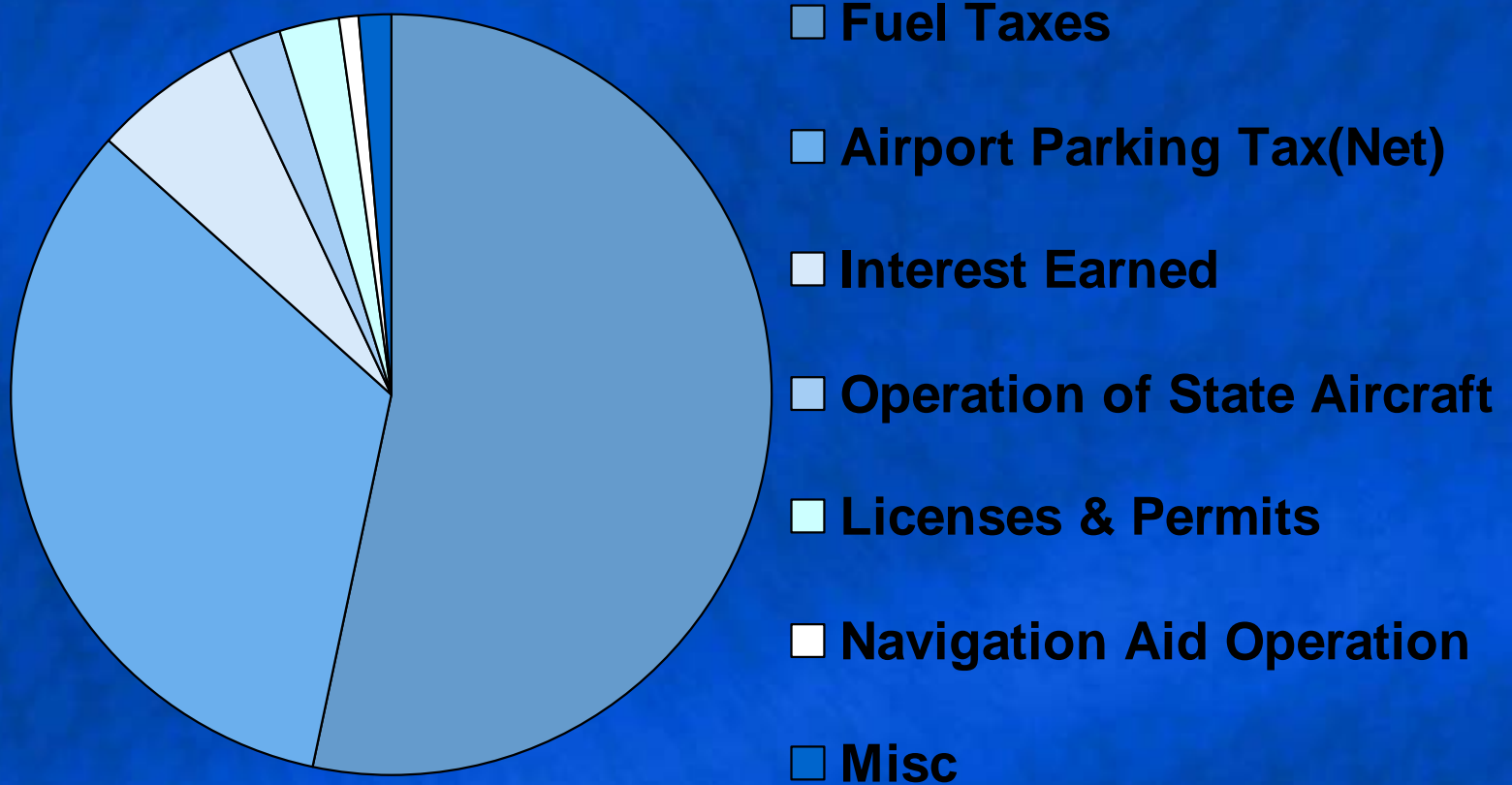
Cents per Gallon



Total State Taxes per Gallon of Diesel Fuel



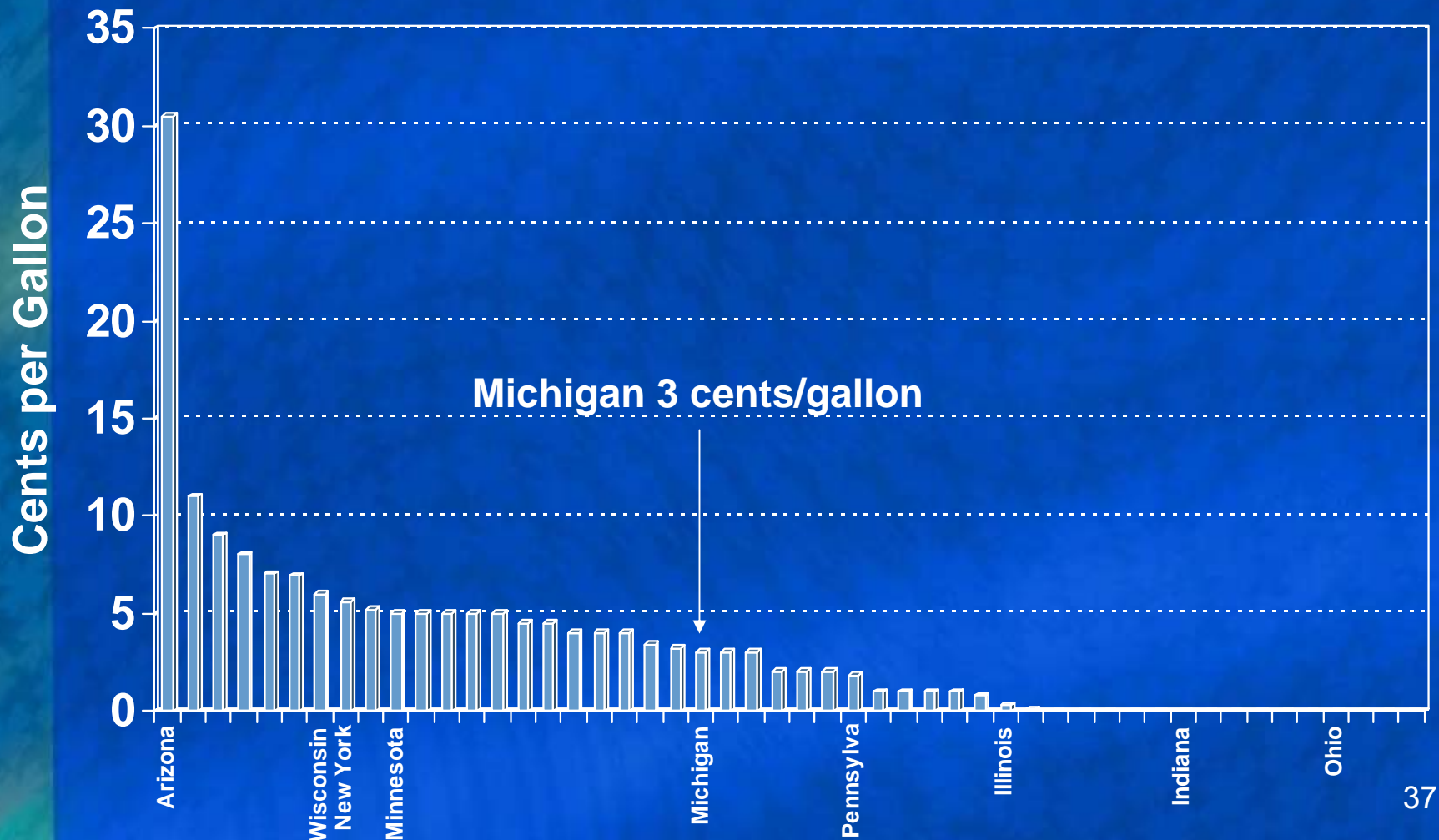
Michigan Transportation Funding: State Aeronautics Fund Revenue Sources



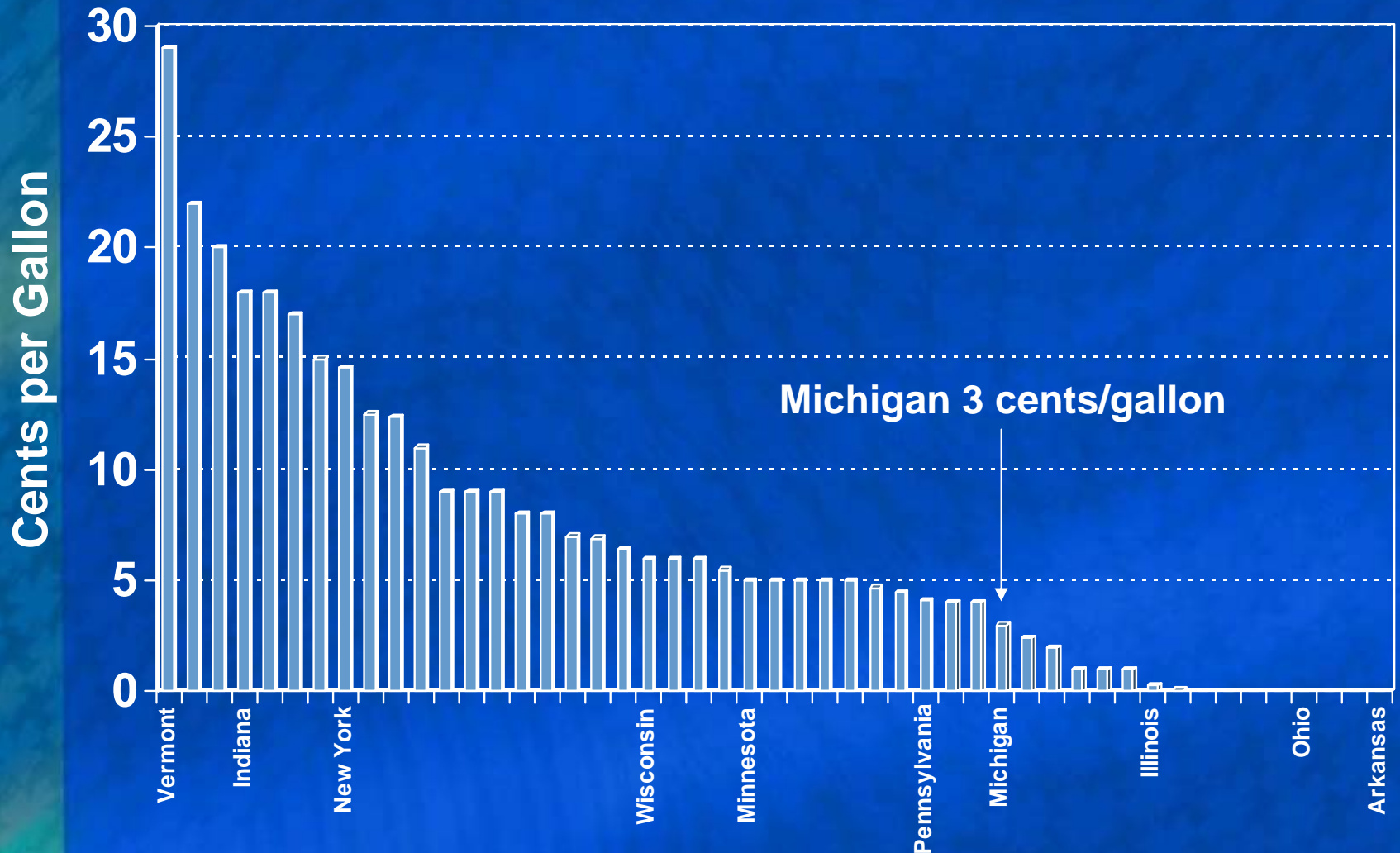
Source: MDOT Bureau of Aeronautics

FY 2005

State Fuel Tax per Gallon of Jet Fuel



State Fuel Tax per Gallon of Aviation Gasoline



Vehicle Registration

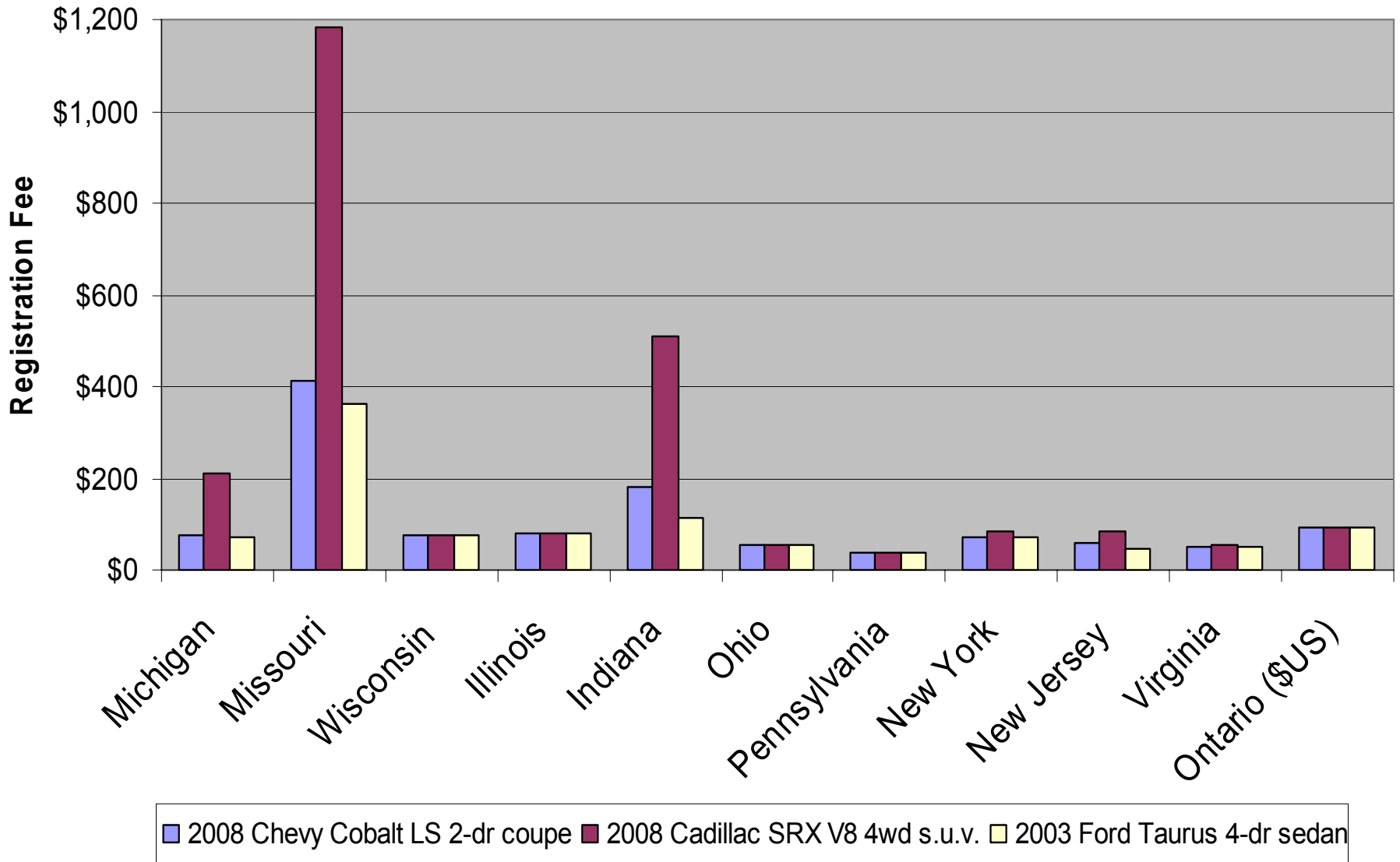
Motor Vehicle Registration, annual fee

- Light vehicles: 0.5% of list price 1st year, declines to 0.3645% in year 4
- Heavy trucks: (approx) \$0.02/lb of gross vehicle weight.
- Aircraft: \$0.1/lb.

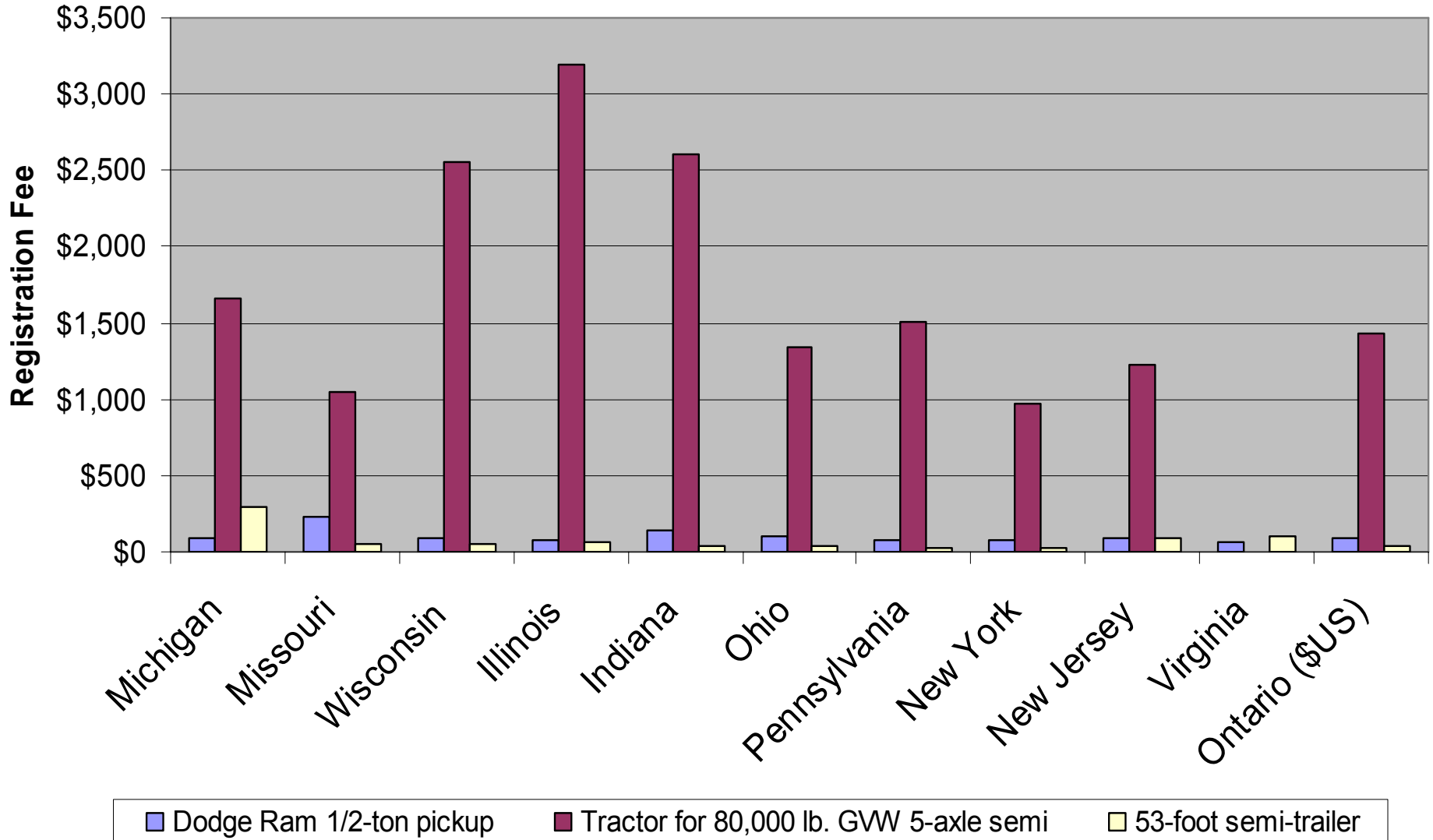
Typical Michigan Registration Fees

- \$73 for car (2003 Ford Taurus)
- \$93 for truck (2003 ½ ton Dodge Ram)
- \$32 small aircraft
- \$192 large aircraft (Airbus 320)

Auto Registration Fees



Commercial Vehicle Registration



Airplane Registration Fees

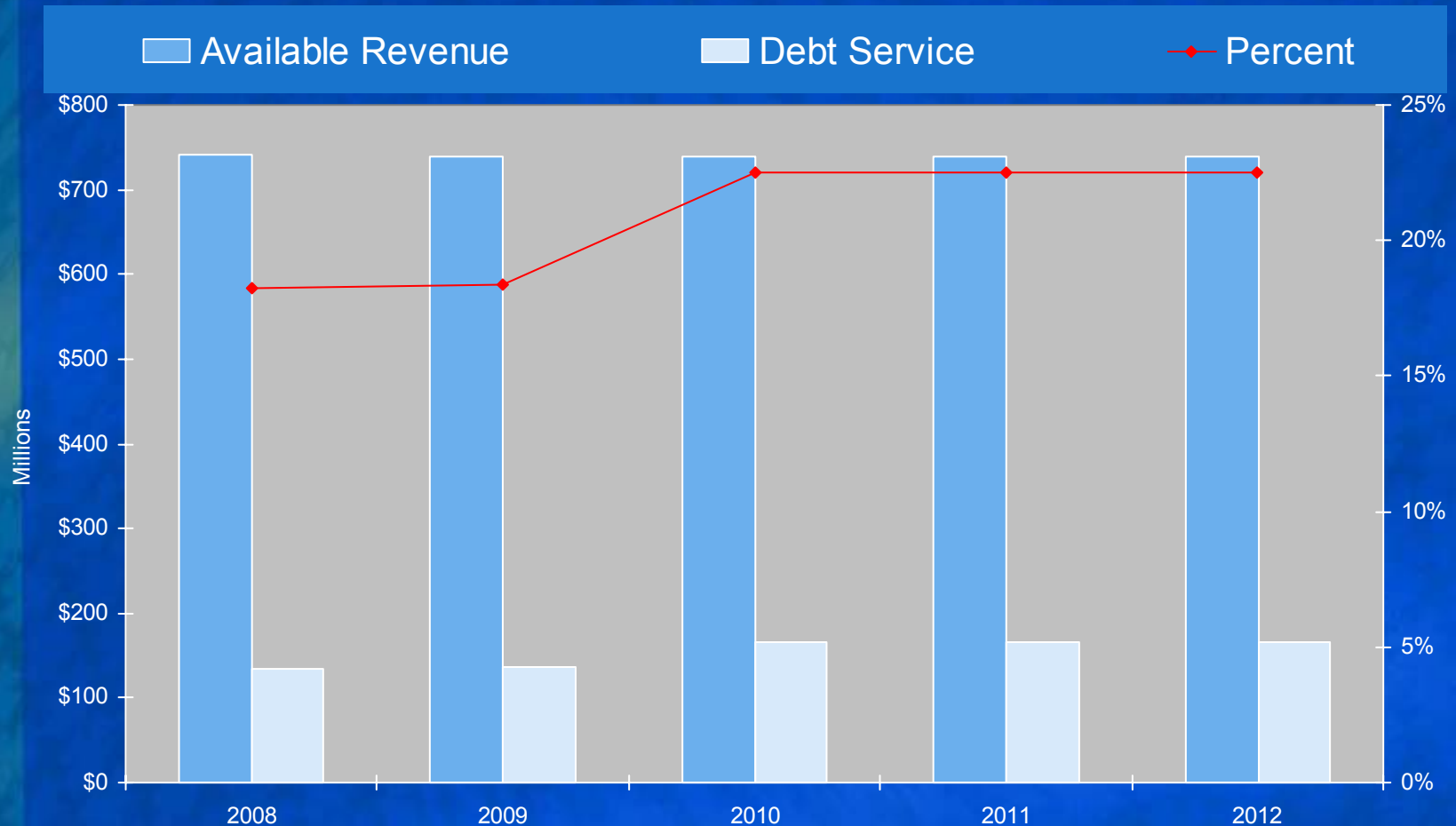
- Flat fees
 - \$5/year (VA) – \$50/year (AK)
- Weight based
 - \$.01/lb (ID, **MI**)
 - Fee structure based on weight (CT, MA, NM, RI, SD, WI)
- Value
 - Fee plus percent of value (AZ)
 - Percent of value, depreciating (IA, MN, WA)
- Other
 - Number of seats
 - Type of aircraft
 - Year of manufacture
 - Combination

Discussion

Bonding

- Can be used to advance projects from future years and construct in today's dollars
- Bonding helps supplement appropriated revenue shortfalls
- Creates a long term debt that affects program levels

STF Revenue and Debt Service



Jobs Today

- \$618M initiative over 3 years, 2006-2008
 - \$418M in bonds
 - \$200M in federally earmarked funds
- 145 transportation infrastructure projects improving
 - 600 miles of pavement
 - 42 bridges
 - 6 capacity improvement projects
- Supporting an estimated 11,000 jobs

Local Jobs Today

- \$400M initiative over 2 years, 2006-2007
 - \$80M in state funds
 - \$320M in federal funds for local projects
 - Plus short term loans for local upfront cash
 - Resulted in a total investment of over \$500M
- 441 local transportation infrastructure projects
 - Advancing federally earmarked projects that might otherwise take years to begin
- Creating over 9,000 jobs

Bonds for Comprehensive Transportation Purposes

- Federal FTA/FHWA/FRA grants and/or 100% state funded projects
 - Local transit buses & facilities
 - Intermodal terminals
 - Rehabilitation of state-owned rail lines
 - Infrastructure improvements on Michigan's high-speed train corridor
 - Marine passenger terminal
 - Detroit Metropolitan Airport (Northwest Airlines) Midfield Terminal & aviation major special rehabilitation

Bonds for Aviation Purposes

- Airport Safety and Protection Bond Program (ended 2007)
 - \$60 M over five years to fund a state/local airport infrastructure safety and security projects
 - Bonds secured by CTF revenue

State Infrastructure Bank (SIB)

- Loans & credit assistance to public & private sponsors of highway or transit capital projects that:
 - Attract significant new public &/or private capital
 - Can realize significant cost reductions
 - Cannot be constructed or will be delayed 2+ years
- 46 loans totaling \$35,710,448 in Michigan

Most Active SIBs

As of June 30, 2005

State	Number of Agreements	Loan Amount (thousands)	Disbursements (thousands)
South Carolina	8	\$2,605,000	\$2,092,000
Florida	50	\$867,000	\$281,000
Arizona	49	\$564,000	\$474,000
Texas	54	\$277,237	\$260,358
Ohio	70	\$221,739	\$177,379
Minnesota	17	\$102,776	\$96,447
Subtotal	248 (54.3%)	\$4,637,753 (91.5%)	\$3,381,184 (90.7%)
Other States	209 (45.7%)	\$429,978 (8.5%)	\$347,833 (9.3%)
Total	457	\$5,067,730	\$3,729,017

Discussion

FHWA – 2006 Policy Study

- 168 major toll projects since 1992
- Represents 35% of new, high-end road mileage in last decade
- 50% used Public Private Partnership (P3) model
- 28% of projects will have express toll lane, high occupancy toll lane or truck-only lanes

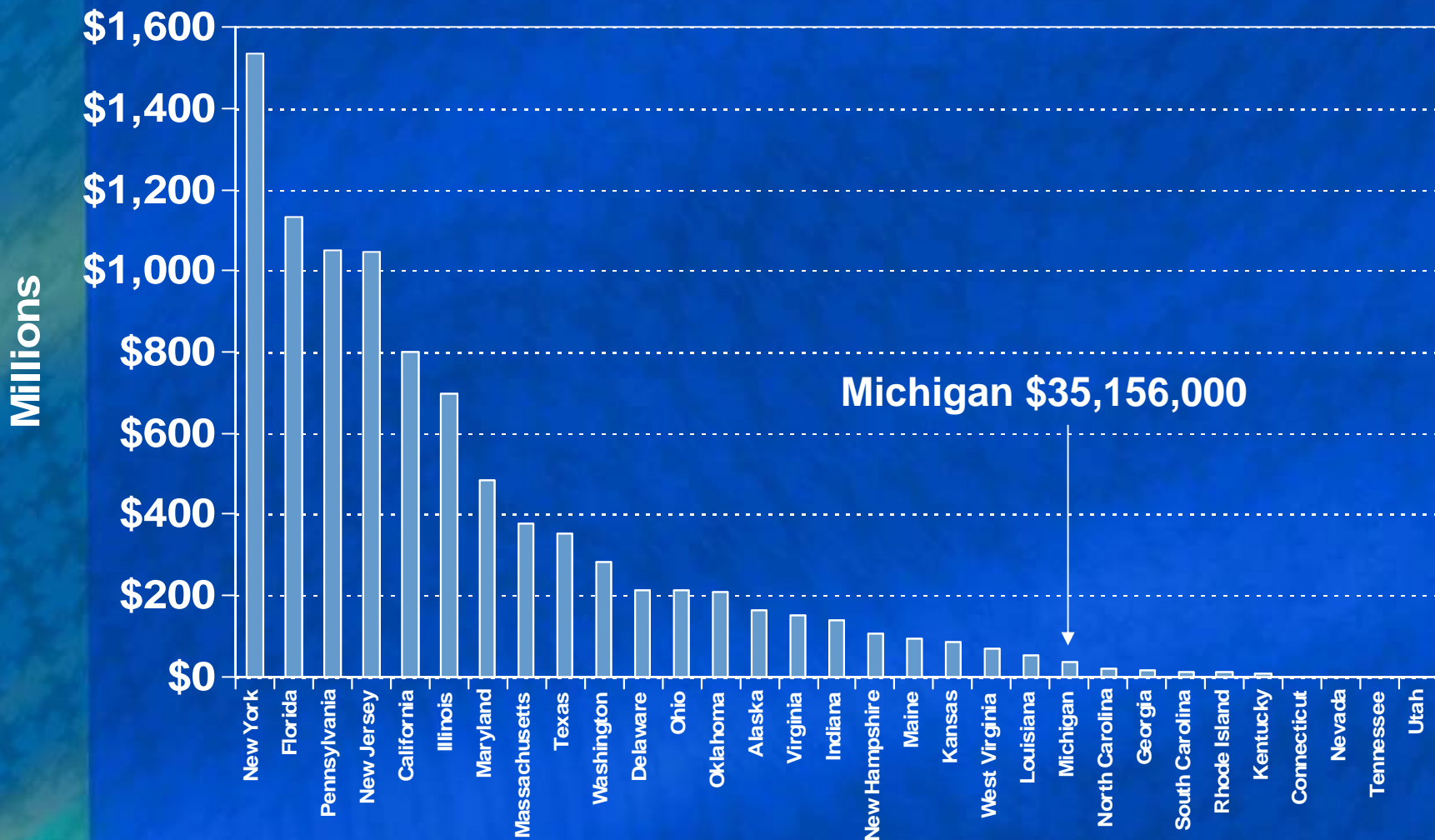
Tolling

- New but limited options in SAFETEA-LU
- Technological advances in cashless tolling
- Used for 3 purposes
 - Project finance, including P3s
 - Congestion Pricing
 - User taxation for general spending

Tolling in Michigan

- Major Michigan public toll facilities include Blue Water Bridge, International Bridge, and Mackinac Bridge
- Requires enabling legislation in Michigan
- With legislation, what can be tolled?
 - Any new capacity infrastructure

Receipts of State-Administered Toll Roads and Crossing Facilities



Congestion Pricing

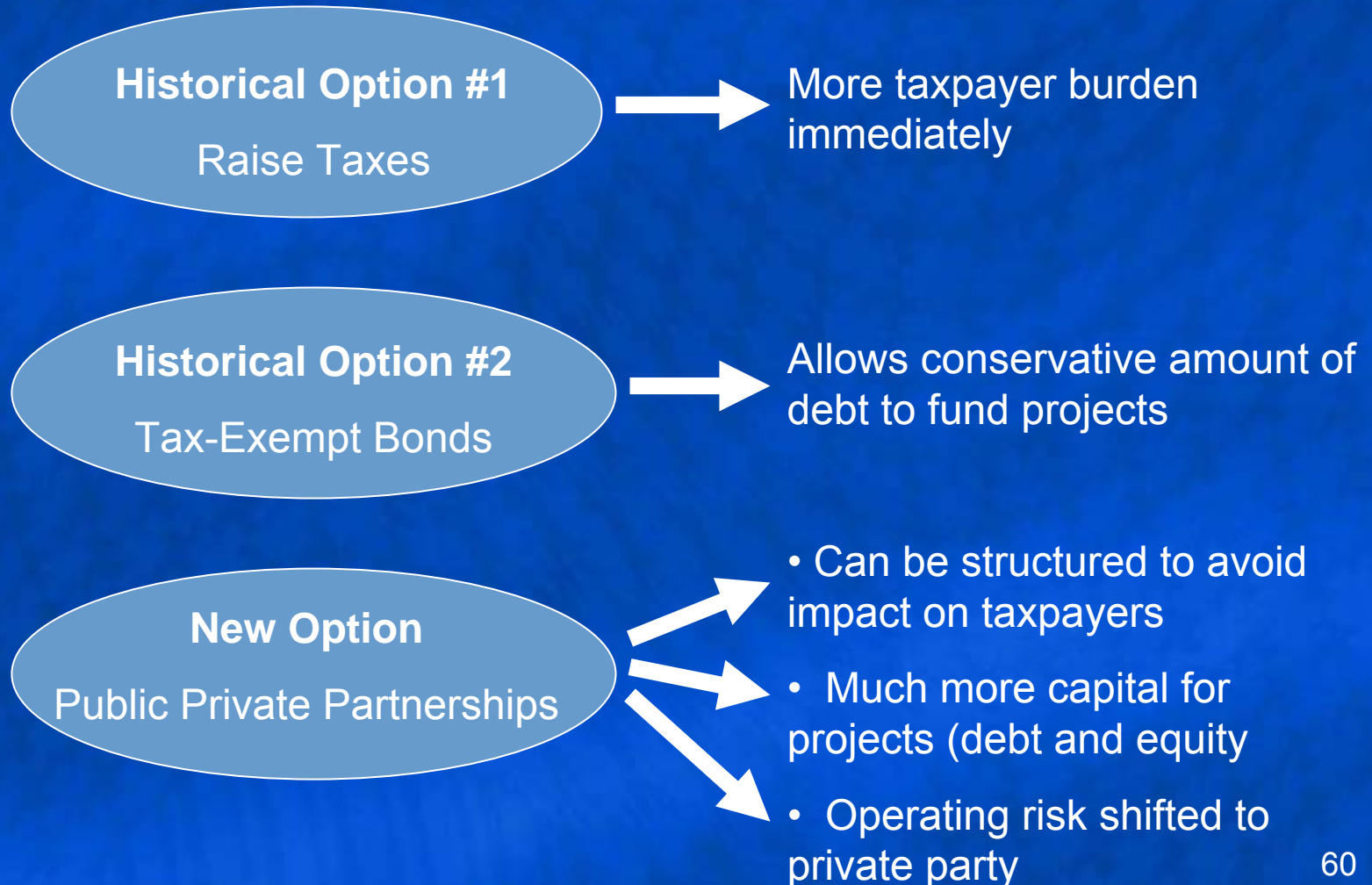
- Ability to change tolls based on demand
- Currently used at 4 locations (with many more projects in development)
 - California – 2 locations
 - Minneapolis – 1 location
 - Colorado – 1 location
- Subset of tolling

Public Private Partnerships (P3s)

- Contractual agreement between public & private sector
- Government retains ownership of asset
- Private sector finances traditional public sector activities
 - Design
 - Construction
 - Operation
 - Maintenance



P3s are a New Source of Capital for State & Local Governments



P3s are Very Common in Europe & Asia

European PPP Activity

	Airports	Ports	Light Railway	Roads	Water & Waterway (incl. Solid Waste)
Austria	✓			✓	✓
Belgium	✓		✓	✓	✓
Denmark		✓		✓	
Finland				✓	✓
France	✓	✓	✓	✓	✓
Germany	✓		✓	✓	✓
Greece	✓			✓	
Ireland			✓	✓	✓
Italy	✓	✓	✓	✓	✓
Netherlands		✓		✓	✓
Norway				✓	
Portugal	✓	✓	✓	✓	✓
Spain	✓	✓	✓	✓	✓
Sweden			✓	✓	
UK	✓		✓	✓	✓

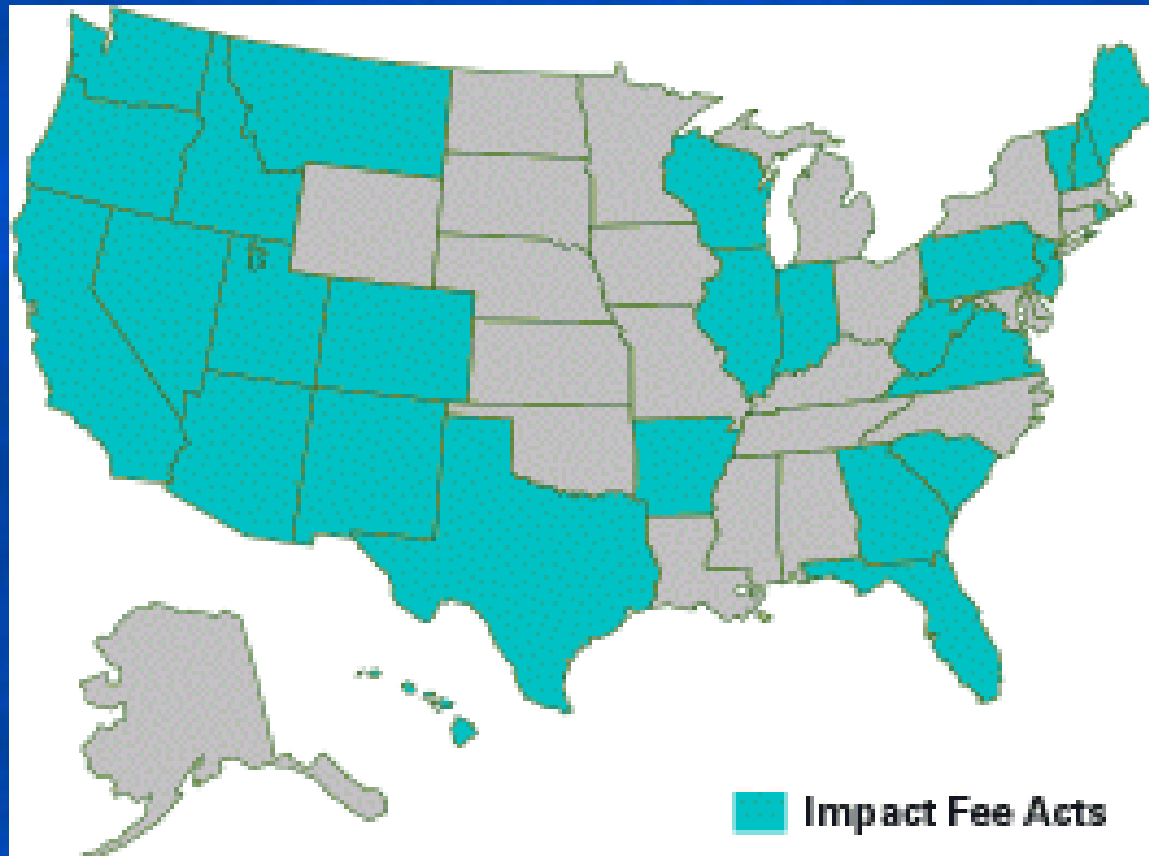
Asian PPP Activity

China				✓	
Hong Kong				✓	
Japan				✓	
South Korea				✓	

Impact Fee

- An impact fee is a charge on new development to pay for the construction or expansion of off-site capital improvements that are necessitated by & benefit the new development.
- Typically enable at state level, enacted locally

States with Developer Impact Fees



Impact Fee Eligibility

- Facilities eligible for impact fees vary by state & range from water systems to schools.
- The single common element of all state Impact Fee Acts is the eligibility of roadways to receive funding from impact fees.

Mileage Based User Fees

- Uses a GPS receiver/taximeter in each vehicle
- Immediately useful for truck fuel taxes
- Charges for each vehicle-mile traveled, enabling local tolls & congestion pricing
- MUST BE built into autos at the factory, and mandated by congress

Gross Receipts or Earnings Tax

- Connecticut: 7% tax on petroleum gross receipts
 - Increases to 7.5% in July
 - More funding goes to the general fund than to transportation
- New Jersey: 4% per gallon on gross receipts for highway-use fuels
- Wisconsin: Proposed 2.5% gross receipts tax was unsuccessful

Local option sales tax

- State's with Local Option Sales Tax on Motor Fuel (gasoline or diesel)
 - Revenue recipient not specified
 - AL, CA, FL, GA, HI, IL, NV, NY, OR, VA

Local Funding Sources

Current:

- TIFA/LDFA/DDA
- Bonds
- County millage
Township millage
- County appropriations
- Municipal
contributions
- Develop/other
contributions
- Special assessments

Possibilities:

- Dev. Impacts
- Local Options
 - Sales tax
 - Gas & Diesel
 - Prop. Transfer
 - Drivers License
 - Vehicle
registrations

Countywide Millages

Counties with millages:

- Allegan
- Baraga
- Chippewa
- Gladwin
- Houghton
- Huron
- Leelanau
- Midland
- Ontonogan
- Sanilac
- St. Joseph
- Tuscola
- Van Buren

Discussion

Michigan Surface Transportation Revenue Sources

Two main sources:

- Motor-fuel taxes
- Vehicle-registration taxes

Minor sources:

- Other liquid fuels
- Some title fees

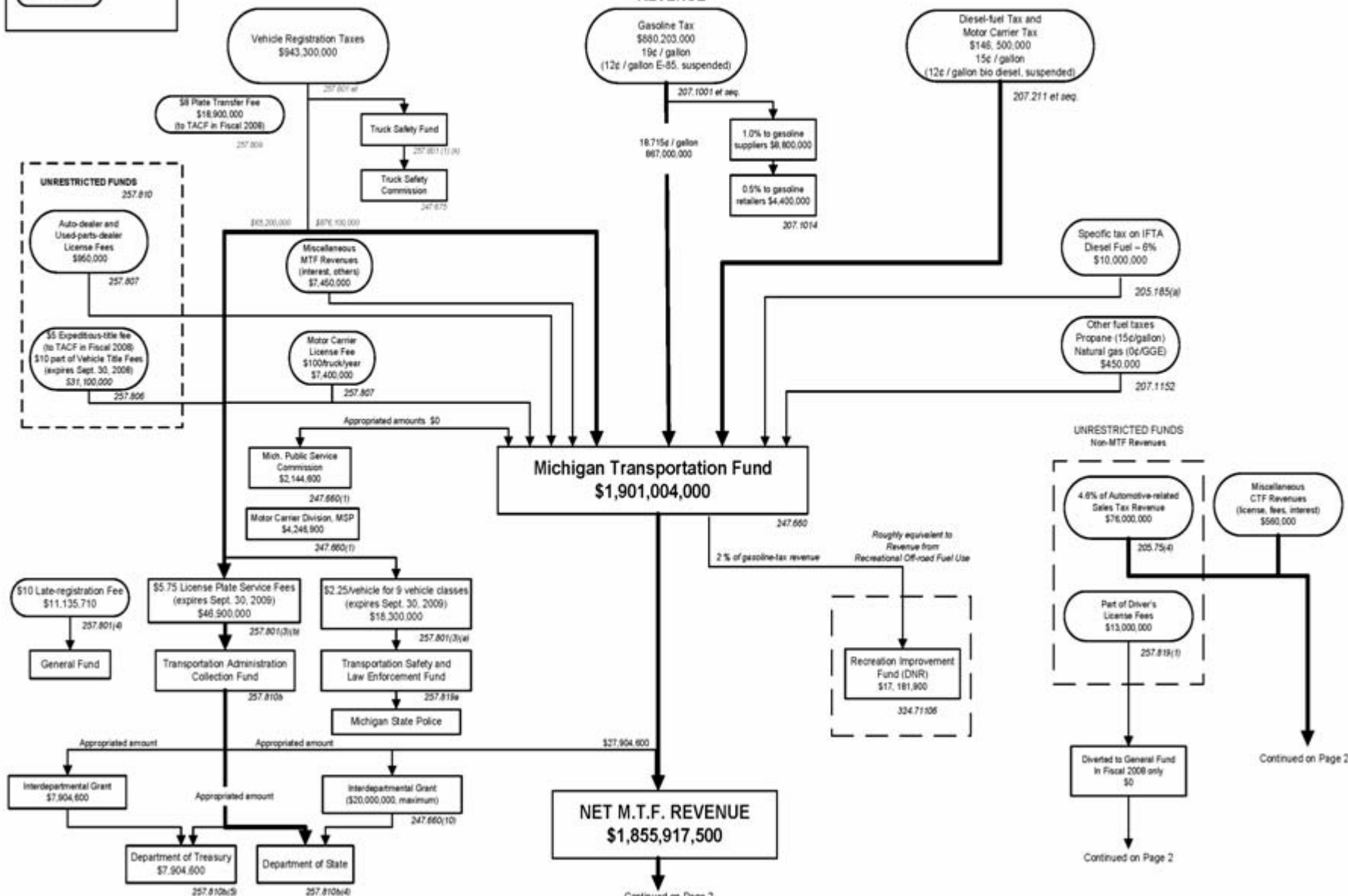
Under Act 51 of 1951 as amended, and Related Acts.
State funds only, federal aid not shown.
Showing amounts for Fiscal 2008, as appropriated, based on ERFD estimates of December 20, 2007
Fiscal 2008 budgets, license-plate revenues for Fiscal 2005, and other sources.

State funds only, federal aid not shown.

Showing amounts for Fiscal 2008, as appropriated, based on ERFD estimates of December 20, 2007
Fiscal 2008 budgets, license-plate revenues for Fiscal 2005, and other sources.

Annual amounts over \$50 million
dollars in in bold lines: **_____**

Revenue sources



Continued on Page 2
Page 1 of 2

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“Upstream” Shrinkage of MTF Revenues

- 1½ percent of gasoline tax is uncollected
 - \$13.2 million/year
- Two per-truck taxes
 - \$9.4 million/year
- \$8.00 per car registration surcharge
 - \$65 million/year
- \$10.00 “late” fee
 - \$11 million/year

Interdepartmental Transfers

- \$20,000,000 to Dept. of State
- \$7,904,600 to Dept. of Treasury
- \$1,261,300 to Legislative Auditor General and for environmental permits for all agencies
- Others for routine functions

Act 51 Distribution Formula

Divides the Michigan Transportation Fund
Four ways—

- County road commissions
- Villages and cities
- MDOT
- Comprehensive Transportation Fund

LEGEND

Annual amounts over \$50 million dollars in **bold lines**

Revenue sources

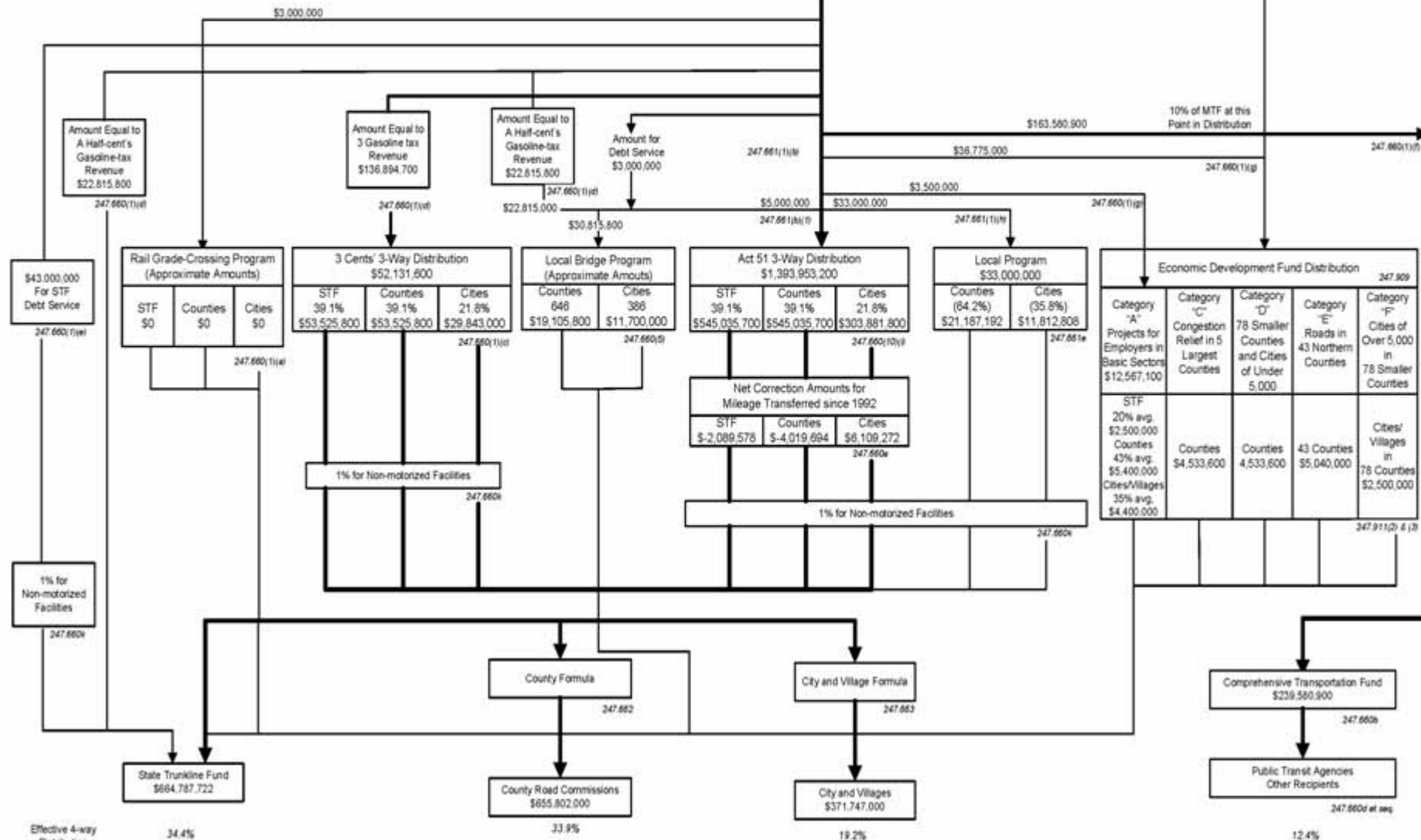
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NET M.T.F. REVENUE
\$1,855,917,500

DISTRIBUTION



Road and Bridge System

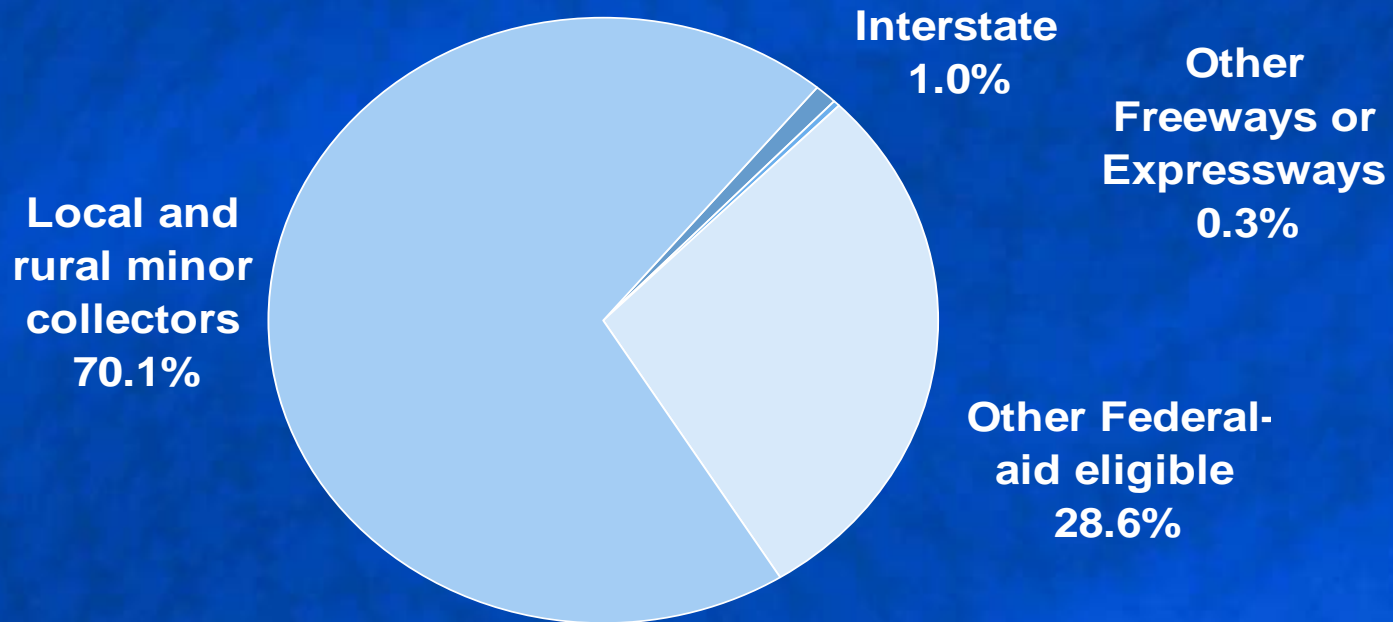
- 119,570 Route Miles
- 10,811 Bridges
- 103 Billion Vehicle Miles Traveled
- 617 Road Agencies
 - 533 Cities and Villages
 - 83 Counties
 - MDOT

Michigan “Legal” Systems

Act 51 divides Michigan roads into—

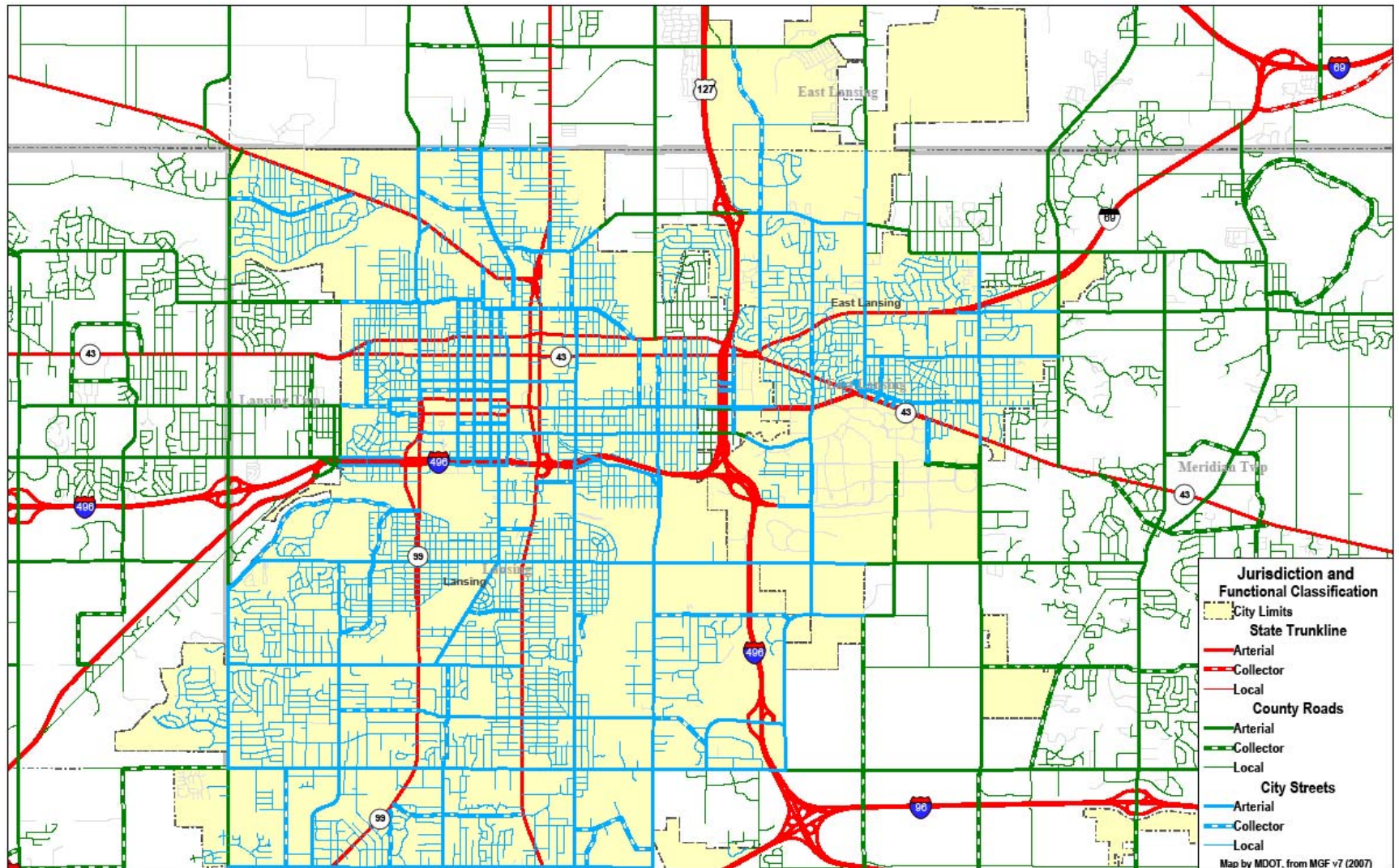
- State trunklines
- County primary roads
- County local roads
- City and village major streets
- City and village local streets

Functional Classification Eligibility for Federal Funds

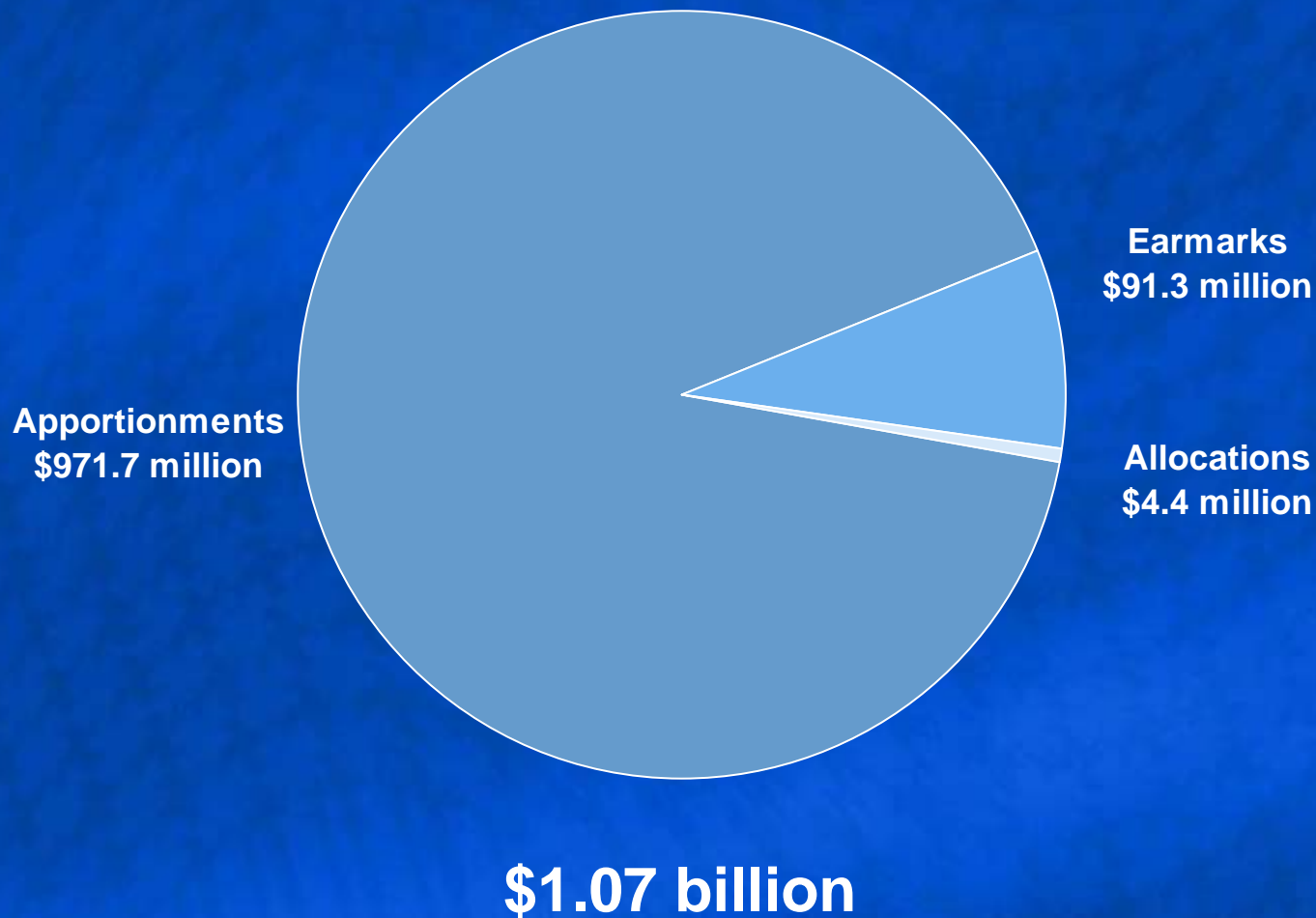


119,570 miles of public roads in Michigan
35,804 miles eligible for federal funds
83,766 miles not eligible for federal funds

Map of Federal-aid Eligible Roads in Lansing/East Lansing

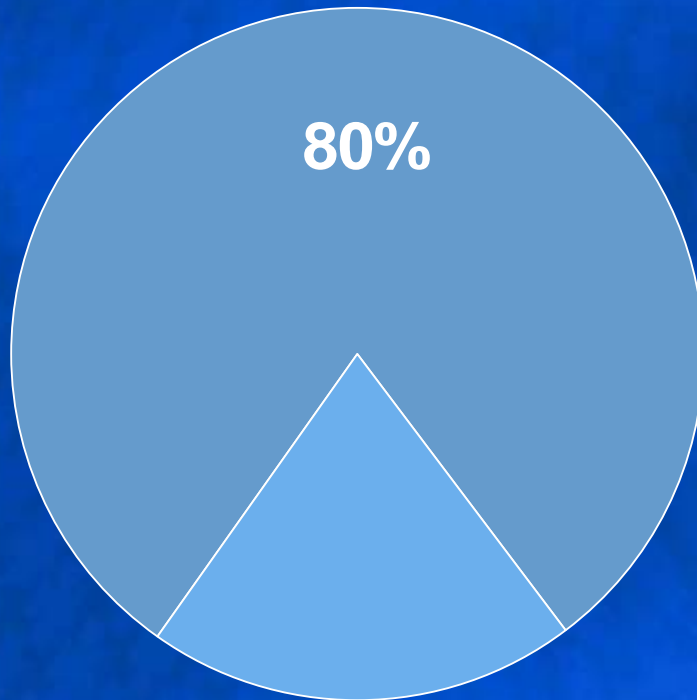


Michigan's FY 2005 Federal Highway Funding



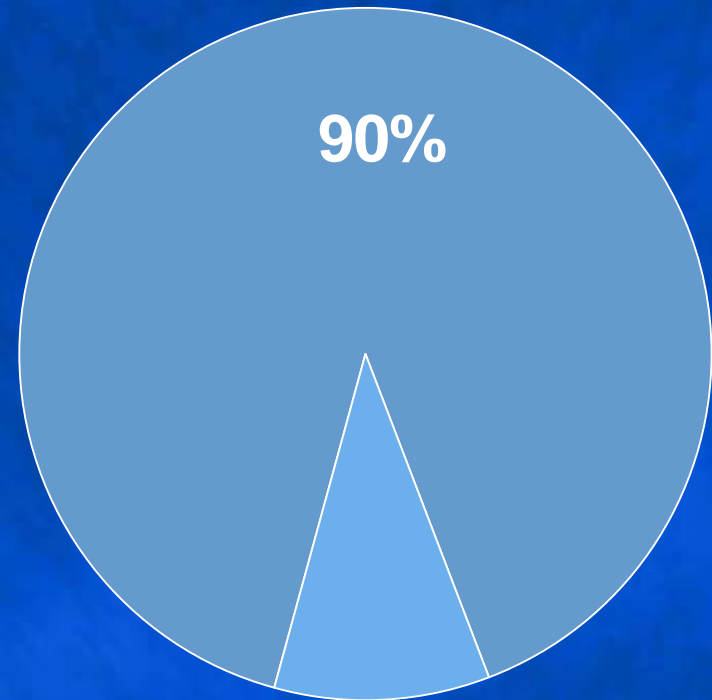
Federal Share for Highway Projects

NHS, STP, Bridge
CMAQ, EB



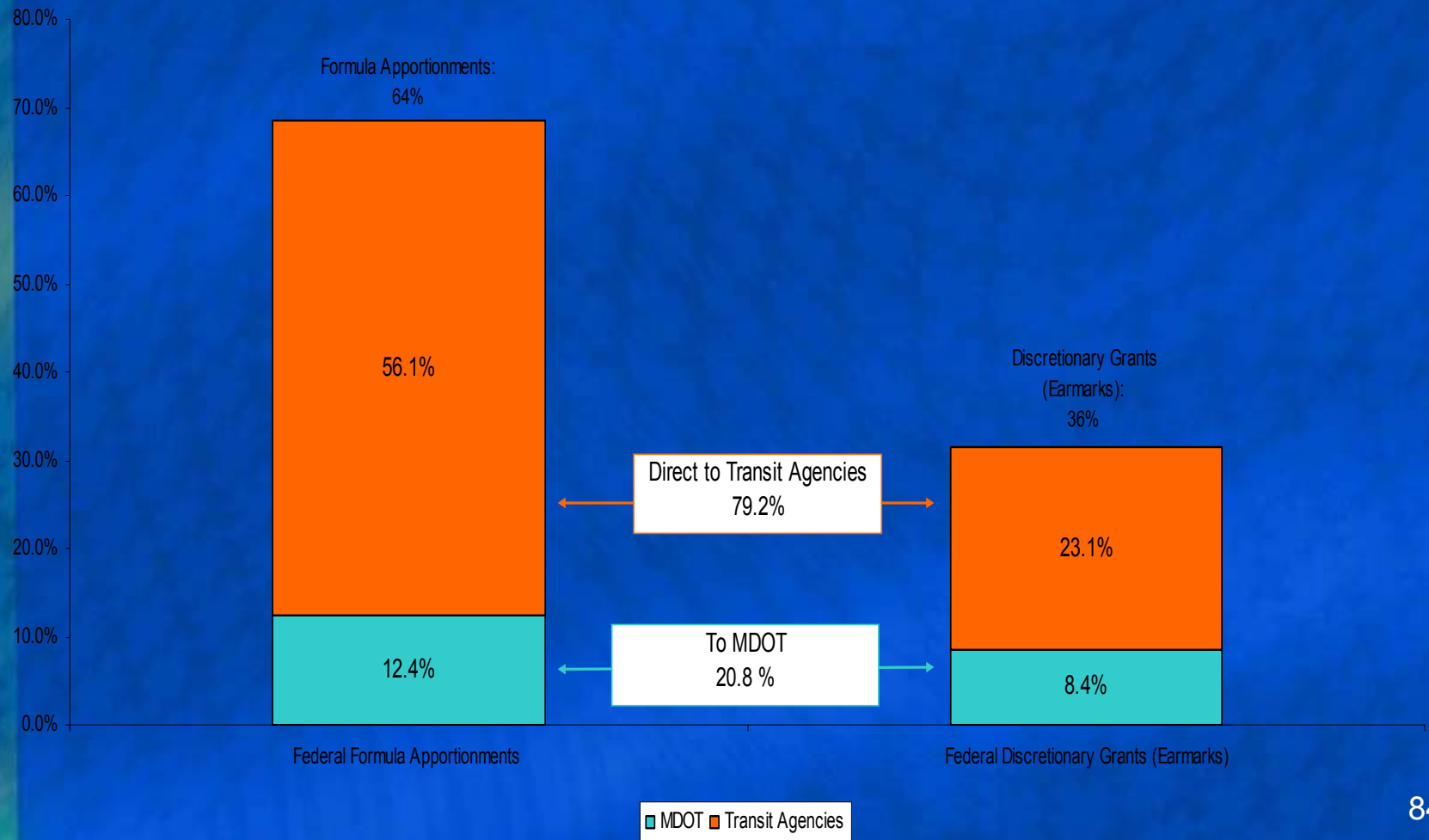
Matching Share

IM, HSIP

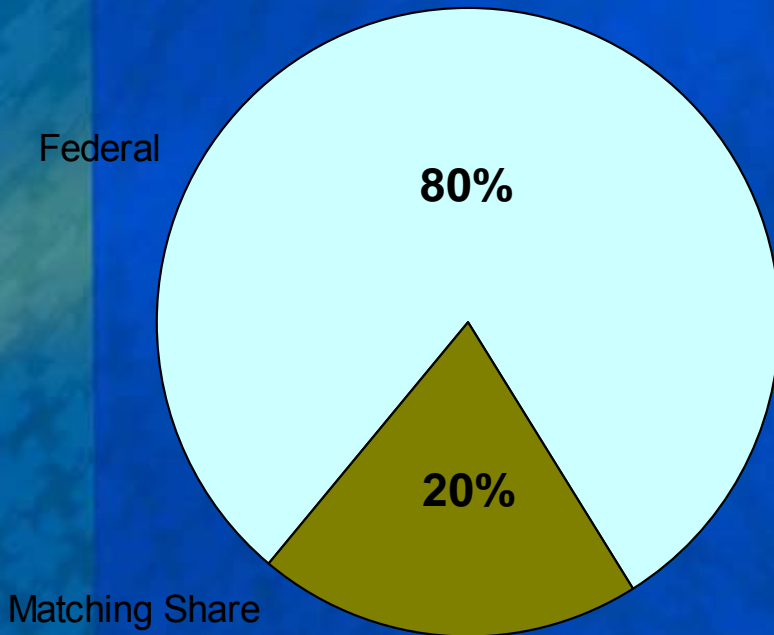


Matching Share

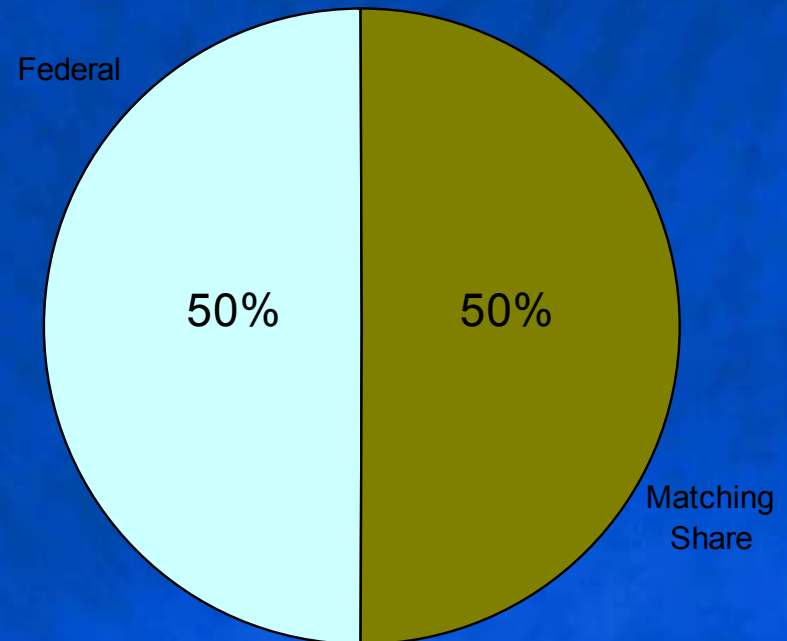
Federal Transit Funding by Type and Recipient - FY 2005



Federal Share for Transit Funds

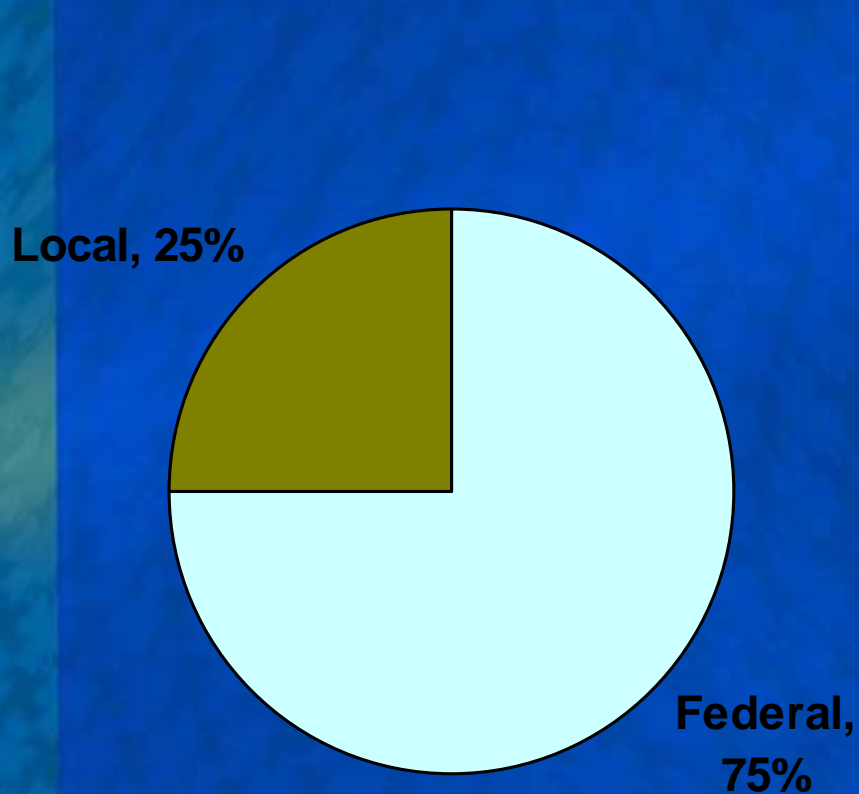


Capital and
Planning Grants

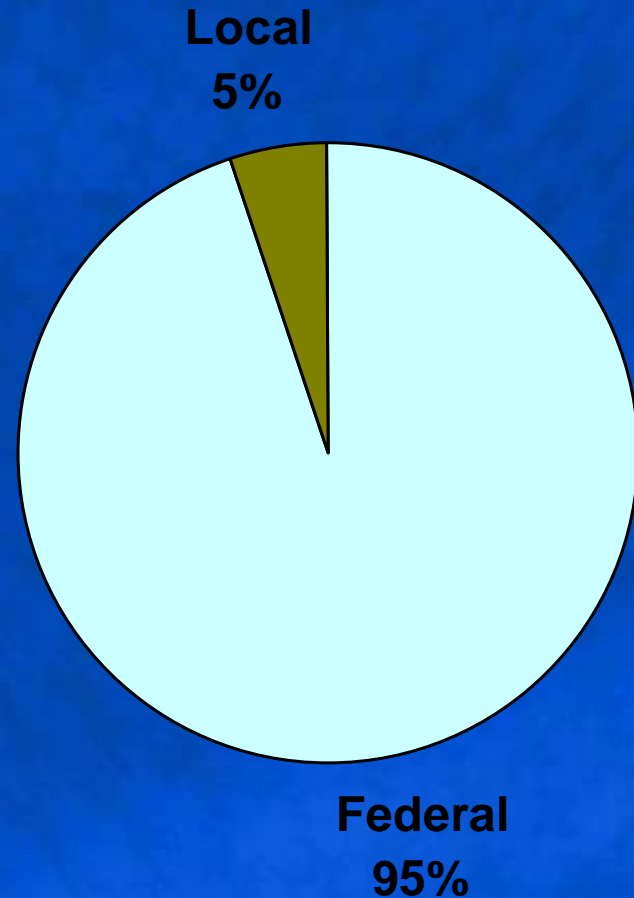


Operating Grants

Federal Share for Aviation Funds



Major Hub Airport



Small Airports

Next Meeting: Future Trends

- Frank Busalacchi, Secretary, Wisc. DOT
 - National Surface Transportation Policy and Revenue Study Commission Report
- Trends affecting transportation
 - Travel
 - Demographics
 - Economy
 - Funding
 - Efficiencies
- Other ?

Other Business

Communication to CAC

Public Comment

See you next time!